



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

GLOBAL OFFERING

Sole Sponsor, Joint Global Coordinator, Sponsor-Overall Coordinator,
Overall Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Global Coordinators, Overall Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners



Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain professional independent advice.



Beijing Fourth Paradigm Technology Co., Ltd. 北京第四範式智能技術股份有限公司

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

Global Offering

Number of Offer Shares under the Global Offering	: 18,396,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 1,839,600 H Shares (subject to reallocation)
Number of International Offer Shares	: 16,556,400 H Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$61.16 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H share
Stock code	: 6682

Sole Sponsor, Joint Global Coordinator, Sponsor-Overall Coordinator,
Overall Coordinator, Joint Bookrunner and Joint Lead Manager



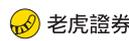
Joint Global Coordinators, Overall Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, September 21, 2023 (Hong Kong time) and, in any event, not later than Wednesday, September 27, 2023 (Hong Kong time). The Offer Price will not be more than HK\$61.16 per Offer Share and is currently expected to be not less than HK\$55.60 per Offer Share. If, for any reason, the Offer Price is not agreed by Wednesday, September 27, 2023 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this Prospectus (which is HK\$55.60 to HK\$61.16) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.4paradigm.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Sponsor (on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.4paradigm.com). If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

September 18, 2023

IMPORTANT

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.4paradigm.com. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving electronic application instructions through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this Prospectus are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above.

IMPORTANT

Please refer to “How to Apply for Hong Kong Offer Shares” for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>
100	6,177.69	2,500	154,442.00	30,000	1,853,303.96	600,000	37,066,079.15
200	12,355.36	3,000	185,330.40	40,000	2,471,071.94	700,000	43,243,759.02
300	18,533.05	3,500	216,218.79	50,000	3,088,839.94	800,000	49,421,438.88
400	24,710.72	4,000	247,107.20	60,000	3,706,607.91	919,800 ⁽¹⁾	56,822,299.35
500	30,888.41	4,500	277,995.59	70,000	4,324,375.90		
600	37,066.08	5,000	308,884.00	80,000	4,942,143.89		
700	43,243.76	6,000	370,660.79	90,000	5,559,911.88		
800	49,421.43	7,000	432,437.59	100,000	6,177,679.85		
900	55,599.12	8,000	494,214.38	200,000	12,355,359.72		
1,000	61,776.80	9,000	555,991.19	300,000	18,533,039.58		
1,500	92,665.20	10,000	617,767.99	400,000	24,710,719.45		
2,000	123,553.59	20,000	1,235,535.97	500,000	30,888,399.30		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.4paradigm.com.

Hong Kong Public Offering commences 9:00 a.m. on Monday,
September 18, 2023

Latest time to complete electronic applications under the
HK eIPO White Form service through one of the below ways⁽²⁾:

(1) the **IPO App**, which can be downloaded by searching “**IPO App**”
in App Store or Google Play or downloaded at
www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp

(2) the designated website www.hkeipo.hk 11:30 am on Thursday,
September 21, 2023

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 am on Thursday,
September 21, 2023

Latest time to give **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Thursday,
September 21, 2023

Latest time to complete payment of **HK eIPO White Form**
applications by effecting Internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Thursday,
September 21, 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close⁽³⁾ 12:00 noon on Thursday,
September 21, 2023

Expected Price Determination Date⁽⁵⁾ Thursday,
September 21, 2023

(1) Announcement of the Offer Price, an indication of
the level of interest in the International Offering,
the level of applications in the Hong Kong Public
Offering and the basis of allocation of the Hong Kong
Offer Shares to be published on the websites of
the Stock Exchange at www.hkexnews.hk and
our Company at www.4paradigm.com on or before⁽⁶⁾⁽⁹⁾ Wednesday,
September 27, 2023

EXPECTED TIMETABLE⁽¹⁾

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at www.hkexnews.hk and our Company's website at www.4paradigm.com (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this Prospectus) from⁽⁹⁾ Wednesday, September 27, 2023

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.4paradigm.com⁽⁷⁾⁽⁹⁾ from Wednesday, September 27, 2023

Results of allocations for the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at the designated results of allocations website at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result with a "search by ID" function from⁽⁹⁾ Wednesday, September 27, 2023 to Tuesday, October 3, 2023

Dispatch of H Share certificates in respect of wholly or partially successful applications/Deposit of H Share certificates into CCASS pursuant to the Hong Kong Public Offering on or before⁽⁶⁾⁽⁹⁾ Wednesday, September 27, 2023

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before⁽⁸⁾⁽⁹⁾ Wednesday, September 27, 2023

Dealings in H Shares on the Stock Exchange to commence on⁽⁹⁾ Thursday, September 28, 2023

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a typhoon warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions at any time between 9:00 a.m. and 12:00 noon on Thursday, September 21, 2023, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" of this Prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying through the **CCASS EIPO Service**" of this Prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date is expected to be on or around Thursday, September 21, 2023, and, in any event, not later than Wednesday, September 27, 2023, or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, September 27, 2023, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.
- (6) H Share certificates are expected to be issued on Wednesday, September 27, 2023 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Thursday, September 28, 2023. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates and before they become valid do so entirely of their own risk.
- (7) None of the websites or any of the information contained on the website forms part of this Prospectus.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.
- (9) In case a typhoon warning signal no. 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions between Monday, September 18, 2023 and Thursday, September 28, 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund cheques/ **HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” of this Prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and/or Extreme Conditions and the dispatch of refund cheques and H Share certificates.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This Prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not contained nor made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Capital Market Intermediaries, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

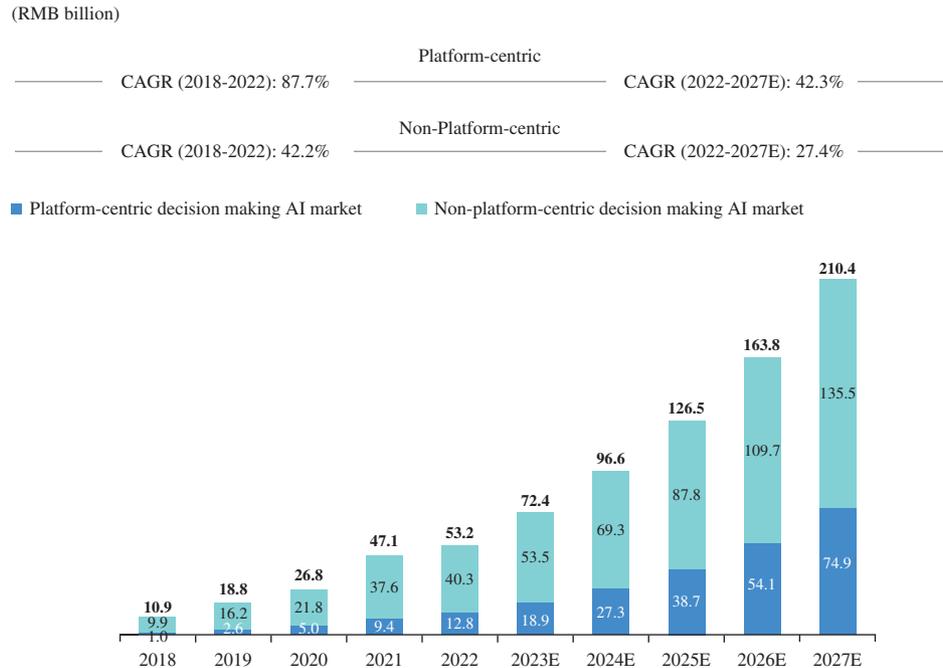
OVERVIEW

We are a leader in enterprise AI. We are an AI software company which focuses on providing platform-centric AI software which enables enterprises to develop their own decision-making AI applications. Our enterprise-level solutions are designed to serve enterprises, rather than individuals. We offer platform-centric AI solutions that can be rapidly deployed by enterprises on a large scale to uncover hidden patterns in data and comprehensively enhance their decision-making capabilities.

We were the largest player by revenue in the platform-centric decision-making AI market, a sub-segment of the AI market, in China in 2022, according to the CIC Report. China’s AI industry can be categorized into four major segments in terms of fields of application: decision-making AI, visual AI, speech and semantics AI and AI robots. Decision-making AI recognizes patterns hidden in data, guides decision-making process on data insights, and addresses issues that are most pertinent to core business operations. Within the decision-making AI market, the platform-centric decision-making AI market in China is a vastly expanding subsegment. As opposed to non-platform-centric solutions, platform-centric solutions provide end users with an AI development platform in addition to AI applications and underlying computing infrastructure. Such platforms provide end users with uniform development standards, high compatibility as well as flexible expansion of applications per actual demands. The following table sets forth a breakdown of China’s decision-making AI industry for the periods indicated.

SUMMARY

Market Size of Decision Making AI Market in China, 2018A-2027E



Source: CIC Report

We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. For example, according to CIC, our proprietary AutoML algorithm is a cutting-edge AutoML algorithm in the world. With our AutoML algorithms, we broke the world records of two Open Graph Benchmark (“OGB”) tasks in April 2021. Our AutoML algorithm also ranks top 1% in Kaggle Structured Data and Image Classification Competition 2019. For details, see “Business – Our Technology – AutoML.”

We emphasize value creation. Our solutions have created value for enterprises in a myriad of industries including, but not limited to, finance, retail, manufacturing, energy and power, telecommunications, transportation, technology, education, media and healthcare. For example, our AI solutions have successfully helped banks enhance anti-fraud accuracy rate, retailers forecast sales volume and formulate precision marketing strategies, manufacturers optimize quality control, and energy companies detect and prevent equipment anomalies and failures. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, we had 47, 75, 104, 49 and 62 lighthouse users, namely Global Fortune 500 companies and publicly listed companies, respectively.

Our platform-centric AI solutions seek to overcome challenges faced by in-house development of AI capabilities and point solutions that are designed for scenario-specific use cases, and allow enterprises to benefit from the advancement of AI technologies to the largest extent possible. We believe, however, that large-scale AI transformation faces the key challenges including shortage of experts, high total cost of ownership, long deployment time and data and software incompatibility. Our platform-centric AI solutions seek to overcome

SUMMARY

challenges faced by in-house development of AI capabilities and point solutions that are designed for scenario-specific use cases, allowing us to capture the massive market opportunities in enterprise AI application. For details, see “Business – Our Market Opportunities” and “Industry Overview – Decision-Making AI Market in China.” Leveraging our core technologies, we have developed end-to-end enterprise AI solutions, which include optional bundling infrastructure, operating system, AI developer suites and applications, that cater for enterprises’ needs across application, platform and infrastructure levels. Sage Platform is the backbone of our solutions. It allows enterprises to easily build their customized AI systems that automate the process of machine learning, application, decision-making and evaluation driven by our AutoML algorithms, featuring quick, simple build-up, low- and/or no-code environment, and implementation without significant involvement of AI experts. Our Sage Platform is primarily composed of the following:

- Sage AIOS is an AI operating system featuring a user-friendly interface, standardized data processing, automated resource management and allocation and fully compatible middleware that are comparable to personal computer operating systems. Specifically, Sage AIOS provides a more user-friendly interface to visualize AI application development and management. Characterized by its user-friendly interface on which users can easily and conveniently design, develop and operate numerous AI applications, Sage AIOS is able to empower enterprises to deploy AI on a large scale. Based on multiple versions of products and underlying technology previously developed by us, we officially launched Sage AIOS in August 2020, an upgraded and integrated AI operating system with expanded features.
- HyperCycle series with no-code development tools and Sage Studio series with low-code and no-code development tools are our core platform-centric AI solutions by which our users can quickly and easily deploy large-scale AI applications.

In addition, we offer ready-to-use AI applications that users could directly deploy to improve their business operations, primarily in the fields of sales and marketing, risk management and operating efficiency in general. We also help users develop customized AI applications on Sage Platform to address their specific business needs.

During the Track Record Period, we have experienced tremendous growth. Our revenue grew by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, and further by 52.7% to RMB3,082.6 million in 2022. Our revenue grew by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023. In line with our revenue growth, we have also experienced increase in our trade receivables, including trade receivables aged over six months. As of December 31, 2020, 2021, 2022 and March 31, 2023, our trade receivables were RMB262.7 million, RMB778.3 million, RMB1,493.2 million and RMB1,494.0 million, respectively. For details, see “– Business Sustainability and Path to Profitability – Working Capital Sufficiency.”

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

- Our leading position in platform-centric enterprise AI solutions and core technologies;
- Our end-to-end AI solutions with strong value proposition, continuously driving user success;
- High quality, diverse and loyal user base resulting from our levered go-to-market strategy;
- AI ecosystem to ensure sustainable long-term growth; and
- Strong, experienced and elite management combining academic excellence and business insights.

OUR STRATEGIES

We intend to pursue the following strategies to achieve our long-term goal of helping enterprises achieve AI transformation:

- Further strengthen our R&D capabilities;
- Continue to create value for users and establish industry standards;
- Strengthen collaboration with business partners within our ecosystem; and
- Enhance our commercialization capabilities.

OUR ENTERPRISE AI SOLUTIONS

Driven by our mission to empower AI transformation and advance AI for all businesses, we have developed Sage Platform, a full suite of end-to-end AI solutions that can be rapidly deployed by enterprises on a large scale to uncover hidden patterns in data and facilitate decision-making beyond human capability. Our innovative Sage Platform empowers enterprises with AI development and management capabilities, and enables them to design, develop, and operate AI applications at scale. The plug-and-play and low- and/or no-code nature of Sage Platform lowers the barrier of AI deployment, enabling large-scale deployment within a few days and without involvement of experts or other personnel with significant experience in AI.

- Sage AIOS is an AI operating system featuring user-friendly interface, standardized data processing, automated resource management and allocation and fully compatible middleware that are comparable to personal computer operating systems. Based on multiple versions of products and underlying technology previously developed by us, we officially launched Sage AIOS in August 2020, an upgraded and

SUMMARY

integrated AI operating system with expanded features. Specifically, Sage AIOS provides a more user-friendly interface to visualize AI application development and management. Characterized by its user-friendly interface on which users can easily and conveniently design, develop and operate numerous AI applications, Sage AIOS is able to empower enterprises to deploy AI on a large scale. In addition, as compared to the earlier versions, Sage AIOS standardizes the formats of AI data and resources management, thereby further enhancing the efficiency of AI deployment on a large scale. The earlier versions of Sage Platform only supports our proprietary AI developer suites and self-developed applications, while Sage AIOS is able to support applications developed by other parties, and thus enhances our AI ecosystem. Major components of Sage AIOS include data kernel and runtime kernel. Data kernel is a platform for AI data. By defining the standards and formats of data that are ready for AI applications, data kernel enables users to comprehensively enhance its data quality and modeling efficiency. Runtime kernel is a centralized management kernel for multi-layer computation, memory and communication. Runtime kernel is capable of automatically scheduling and managing heterogeneous resources without affecting user experience, thereby enhancing computation resource utilization rates, and optimize the efficiency of developing AI models and applications.

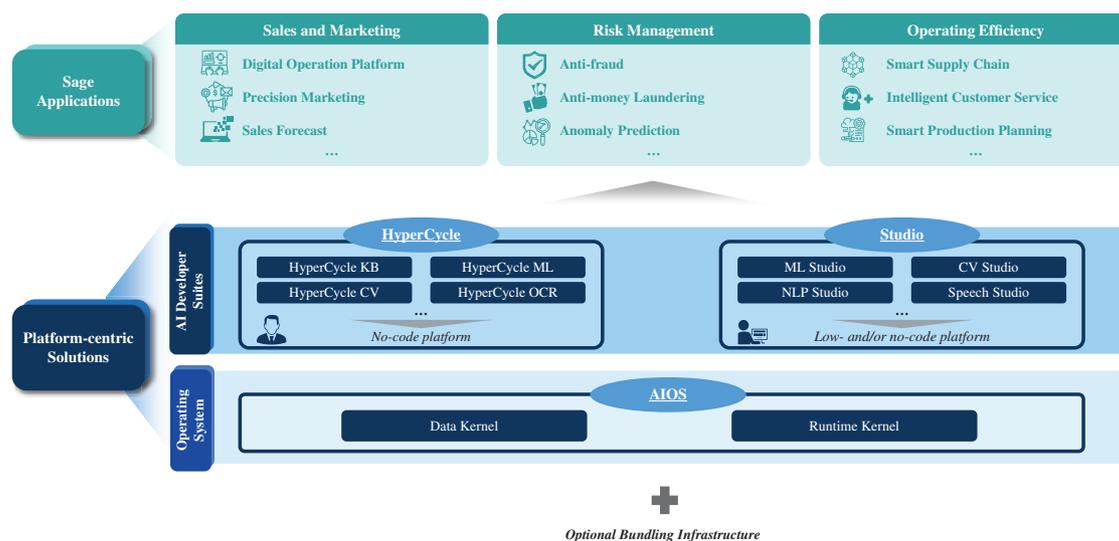
- Built on Sage AIOS, there are two AI developer suites, for which users can choose depending on their coding capabilities, one being the HyperCycle series with no-code development tool and the other one being the Sage Studio series with low-code and no-code development tools. AI applications in different use cases require different types of algorithms. Accordingly, at the users' choice based on the types of AI applications they want to develop, we offer HyperCycle ML, HyperCycle CV, HyperCycle OCR, HyperCycle KB, ML Studio, CV Studio, NLP Studio and Speech Studio, among others.

On top of our Sage Platform, we also offer a large and growing portfolio of scenario-specific AI applications that address a range of mission-critical use cases and can be readily installed and deployed. Our AI applications are primarily used in areas including sales and marketing, risk management and operating efficiency enhancement. Moreover, in June 2021, we launched our enterprise-level AI application store, which is a marketplace for AI applications at the choice of our users. It integrates a cluster of AI applications developed by us and our partners in the ecosystem on Sage AIOS using our algorithms and standards, thereby readily addressing users' needs for intelligent operations in different use cases. We do not separately charge the ready-to-use AI applications on our Sage Platform. At our users' request, we also offer application development services to help them develop customized AI applications on Sage Platform based on their business needs.

Based on the needs of users, we also offer optional bundled infrastructure, which primarily represent SageOne, our software-defined "All-in-One" solutions with pre-built Sage Platform and applications on servers and other related hardware. SageOne maximizes the synergistic effect between software and hardware. Leveraging software-defined optimization of computing, network and storage resources, SageOne improves the output and performance of our AI solutions as compared to running on conventional and generalized architecture servers, thereby empowering organizations to rapidly enhance intelligence in their operations.

SUMMARY

The following diagram illustrates our solution offerings:



REVENUE MODEL

We generate our revenue primarily from (i) Sage Platform and applications and (ii) application development and other services.

The following table sets forth a breakdown of our revenues by types of solutions for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Sage Platform and applications										
Software licensing	157,888	16.8	356,156	17.6	596,001	19.3	87,170	18.1	103,429	16.1
SageOne	461,041	48.9	658,398	32.7	895,850	29.1	160,682	33.3	168,306	26.1
Sub-total	618,929	65.7	1,014,554	50.3	1,491,851	48.4	247,852	51.4	271,735	42.2
Application development and other services										
	323,309	34.3	1,003,845	49.7	1,590,786	51.6	234,409	48.6	372,662	57.8
Total	942,238	100.0	2,018,399	100.0	3,082,637	100.0	482,261	100.0	644,397	100.0

SUMMARY

As a platform-centric AI solution provider, we have been dedicated to updating our solutions to provide end users across different industries with unified development environment, standards and rules and to enhance the compatibility of our solutions. As a result of our continuous iteration and optimization efforts, Sage Platform can be generally applied by end users in different industries which do not require significant customization. Our revenue generated from Sage Platform and applications as a percentage of our total revenue decreased from 65.7% in 2020 to 50.3% in 2021 and further decreased to 48.4% in 2022, and decreased from 51.4% in the three months ended March 31, 2022 to 42.2% in the three months ended March 31, 2023, as the percentage of total revenue attributed to our application development and other services increased over the same years, driven by the increased demand for customized AI applications due to the expansion of our user base in 2021 and 2022.

Sage Platform and Applications

Sage Platform and applications are delivered primarily through (i) license of software installed on-premise at servers of our end users and (ii) SageOne, our “All-in-One” solutions with pre-installed software on servers and other related hardware, both of which allow our users to develop their own AI applications on Sage Platform. Our Sage Platform and applications are offered as a bundle. Users select the types of Sage Platform and applications and the delivery method based on their needs.

Our Sage Platform and applications are primarily offered through software license and sale of SageOne, rather than on a subscription basis. We are dedicated to creating value for users and addressing their business needs with our solutions. After we help them identify the critical issues, provide solutions and achieve the objectives of business improvement, they will make repeated purchases from us after identifying incremental business needs for AI application within their operations, and expanding their use of our solutions. As our users develop more AI applications for new use cases on our platform and/or increase usage in existing use cases which require more computing power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities after the initial sale. The pricing of Sage Platform and applications are primarily based on the estimated computing power consumption. Based on communications with users, we understand their business needs and estimate the computing power consumption based on the complexity of the use cases, dimensions of the AI models, and the estimated amount of data involved therein.

- The price of our software license is primarily based on the estimated computing power consumption by reference to the AI applications our users plan to deploy. We consider data volume and other specific requests such as the latency, concurrency, queries per seconds, and the number of replicas, among others.

SUMMARY

- To complement the sales of software, we also offer SageOne, our software-defined “All-in-One” solutions with pre-built Sage Platform and applications on servers and other related hardware. We charge customers of SageOne by taking into account the number of hardware units, license fees of our software and cost of hardware based on respective model. Hardware units of SageOne refer to units of different models of servers.

Application Development and Other Services

At our users’ request, we primarily offer application development services to help them develop customized AI applications on Sage Platform based on their business needs. We charge them on a project basis, the pricing of which is primarily based on the manpower consumption of the relevant services. As our users’ demand for AI applications increases with their business expansion, they will continue to procure our application development services, allowing us to capture more service fees on an on-going basis.

OUR CUSTOMERS

We have two main categories of customers: (i) direct customers who are end users purchasing our solutions directly; and (ii) solution partner customers, who are mainly third-party system integrators that embed our solutions into their offering to cater for end users’ specific needs. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, revenue generated from direct customers accounted for 15%, 43%, 32%, 33% and 22% of our total revenue, respectively. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, revenue generated from solution partner customers accounted for 85%, 57%, 68%, 67% and 78% of our total revenue, respectively. We typically grant a credit term ranging from 3 to 6 months for direct customers and solution partner customers. Our top five customers in each year or period during the Track Record Period in aggregate accounted for 17.4%, 11.1%, 25.8% and 46.1% of our total revenues in 2020, 2021, 2022 and in the three months ended March 31, 2023, respectively. Our largest customer in each year or period during the Track Record Period accounted for approximately 5.2%, 2.8%, 9.6% and 16.8% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2023, respectively.

Our end users, which are the actual users of our platform, include both our direct customers and end users which engaged by solutions partners. Certain end users of our solutions, especially banks and other companies in the finance industry, use system integrators when selecting suppliers or service providers, to save them from the trouble of directly negotiating with a large number of different suppliers or service providers and to benefit from the various other services provided by such system integrators. For lighthouse users, we either directly enter into contracts with them or through solution partners. Our lighthouse users are primarily covered by our in-house sales team who promote our solutions to such lighthouse users, and the ultimate decisions as to choose our solutions are primarily made by the lighthouse users.

SUMMARY

The following table sets forth the revenue contribution by industry of our end users during the Track Record Period.

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	Transaction Amounts	Percentage of Total Revenue	Transaction Amounts	Percentage of Total Revenue	Transaction Amounts	Percentage of Total Revenue	Transaction Amounts	Percentage of Total Revenue	Transaction Amounts	Percentage of Total Revenue
	(RMB'000)		(RMB'000)	(RMB'000)		(RMB'000)	(RMB'000)		(RMB'000)	
Energy and Power	138,294	14.7%	441,964	21.9%	626,549	20.3%	104,591	21.7%	73,196	11.4%
Finance	292,469	31.0%	576,550	28.6%	519,630	16.9%	92,737	19.2%	127,782	19.8%
Transportation	nil	nil	nil	nil	405,016	13.1%	35,293	7.3%	193,238	30.0%
Telecommunication	73,145	7.8%	175,380	8.7%	328,372	10.7%	50,981	10.6%	47,686	7.4%
Technology	64,496	6.9%	138,482	6.9%	298,988	9.7%	46,218	9.6%	33,589	5.2%
Education	66,665	7.1%	124,228	6.2%	235,170	7.6%	36,318	7.5%	42,017	6.5%
Manufacturing	23,833	2.5%	102,461	5.1%	201,686	6.5%	2,107	0.4%	44,981	7.0%
Retail	100,812	10.7%	176,758	8.8%	132,172	4.3%	25,080	5.2%	23,024	3.6%
Healthcare	nil	nil	57,359	2.8%	101,876	3.3%	45,203	9.4%	402	0.1%
Media	53,955	5.7%	134,660	6.7%	29,698	1.0%	16,307	3.4%	21,809	3.4%
Others	128,569	13.6%	90,556	4.5%	203,480	6.6%	27,425	5.7%	36,672	5.7%
Total	942,238	100.0%	2,018,399	100.0%	3,082,637	100.0%	482,261	100.0%	644,397	100.0%

OUR SUPPLIERS

Our suppliers primarily consist of (i) providers of research and development services, (ii) providers of implementation services and (iii) providers of servers and cloud services and providers of other professional services. Our top five suppliers in each year or period during the Track Record Period in aggregate accounted for 13.7%, 21.7%, 26.4% and 38.3% of our total purchases in 2020, 2021, 2022, and in the three months ended March 31, 2023, respectively. Our largest supplier in 2020, 2021, 2022 and in the three months ended March 31, 2023 accounted for approximately 3.4%, 6.5%, 10.1% and 14.7% of our total purchases in the same years or periods, respectively.

COMPETITION

We face competition in China's decision-making AI market from other AI solution providers. The principal competitive factors in our industry include functionality, scope and performance of solutions, scalability and reliability of services, technology capabilities, marketing and sales capabilities, user experience, pricing, brand recognition and reputation. In addition, new and enhanced technology may further increase competition in our industry. We believe that we are well positioned to compete effectively on the basis of the foregoing factors.

Nevertheless, some of our existing competitors have greater name recognition, broader global footprint, longer operating histories, larger user bases as well as greater financial, technical and other resources. See "Risk Factors – Risks Related to Our Business and Industry – If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected" in this Prospectus. For more information on the competitive landscape of our industry, see "Industry Overview."

SUMMARY

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our H Shares. Some of the major risks that we face include:

- AI technologies are constantly evolving. Any flaws or inappropriate usage of AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.
- Our business depends substantially on continuing efforts of our senior management and other key personnel, as well as a competent pool of talents who support our existing operations and future growth. If we are unable to retain, attract, recruit and train such personnel, our business may be materially and adversely affected.
- The industries in which we operate are characterized by constant changes. If we fail to continuously innovate our technology and provide useful solutions that meet the expectations of our customers, our business, financial condition and results of operations may be materially and adversely affected.
- We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results.
- We are investing heavily on our research and development, and such investment may negatively impact our profitability and operating cash flow in the short term and may not generate the results we expect to achieve.
- We have recorded net losses, net liabilities and operating cash outflow during the Track Record Period, and we may not be able to achieve or subsequently maintain profitability.
- Our solutions are primarily not offered on a recurring subscription basis. If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.
- If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.
- We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.
- We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected. Effective March 2, 2023, BIS added certain entity(ies) to the Entity List, which restricts their ability to purchase or otherwise access certain goods, software and technology. Out of an abundance of caution and unless or until we receive further clarification from BIS, we will assume that all entities located at the address provided in the Entity List are subject to the Entity List restrictions in order to comply with relevant restrictions.
- The trading price of our H Shares may be volatile, which could result in substantial losses to you.

SUMMARY

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed “Financial Information” of this Prospectus and the Accountant’s Report set out in Appendix I to this Prospectus, together with the respective accompanying notes.

Summary of Statements of Comprehensive Income

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Revenue	942,238	2,018,399	3,082,637	482,261	644,397
Cost of sales ⁽¹⁾	(512,503)	(1,064,924)	(1,595,991)	(247,377)	(362,835)
Gross profit	429,735	953,475	1,486,646	234,884	281,562
Selling and marketing expenses ⁽¹⁾	(247,829)	(455,001)	(412,152)	(80,539)	(82,849)
General and administrative expenses ⁽¹⁾	(246,493)	(541,730)	(527,638)	(83,178)	(101,099)
Research and development expenses ⁽¹⁾	(565,674)	(1,249,485)	(1,650,010)	(225,656)	(241,457)
Credit loss allowance	(1,992)	(15,206)	(48,914)	(7)	(5,578)
Other income	42,583	41,627	62,662	13,535	16,161
Other gains, net	29,604	93,514	63,504	18,066	8,429
Operating loss	(560,066)	(1,172,806)	(1,025,902)	(122,895)	(124,831)
Share of (losses)/profits of investments accounted for using the equity method	(6,477)	3,802	(3,200)	538	(791)
Finance income	6,038	24,416	46,183	7,539	12,429
Finance costs	(188,978)	(647,111)	(682,175)	(161,393)	(194,445)
Loss before income tax	(749,483)	(1,791,699)	(1,665,094)	(276,211)	(307,638)
Income tax (expenses)/credit	(727)	(10,369)	11,673	8,059	3,742
Loss for the year/period	(750,210)	(1,802,068)	(1,653,421)	(268,152)	(303,896)
Loss attributable to:					
Owners of the Company	(749,650)	(1,785,655)	(1,644,897)	(263,626)	(291,344)
Non-controlling interests	(560)	(16,413)	(8,524)	(4,526)	(12,552)

SUMMARY

Note:

- (1) Share-based compensation expenses recognized for the Track Record Period were allocated as follows:

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Cost of sales	1,104	4,603	-	-	-
Selling and marketing expenses	20,726	98,341	8,756	-	-
General and administrative expenses	126,467	368,250	278,629	-	-
Research and development expenses	25,368	132,440	146,018	-	-
Total	173,665	603,634	433,403	-	-

Non-IFRS Measures

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

Adjusted Operating Loss and Adjusted Net Loss (non-IFRS measures)

We define adjusted operating loss (a non-IFRS measure) as operating loss by adding back share-based compensation and listing expenses. We define adjusted net loss (a non-IFRS measure) as loss for the year/period by adding back share-based compensation, interest expense on redemption liabilities and listing expenses. The following table reconciles our adjusted operating loss (a non-IFRS measure) and adjusted net loss (a non-IFRS measure) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, namely operating loss and net loss, respectively, and as a percentage of our total revenue.

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>									
	<i>(unaudited)</i>									
Reconciliation of operating loss and adjusted operating loss (non-IFRS measure)										
Operating loss	(560,066)	(59.4)	(1,172,806)	(58.1)	(1,025,902)	(33.3)	(122,895)	(25.5)	(124,831)	(19.4)
Add:										
Share-based compensation	173,665	18.4	603,634	29.9	433,403	14.1	-	-	-	-
Listing expenses	-	-	672	0.0	44,720	1.5	42,687	8.9	47,985	7.4
Adjusted operating loss (non-IFRS measure)	(386,401)	(41.0)	(568,500)	(28.2)	(547,779)	(17.8)	(80,208)	(16.6)	(76,846)	(11.9)

SUMMARY

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>									
	<i>(unaudited)</i>									
Reconciliation of loss for the year/period and adjusted net loss (non-IFRS measure)										
Loss for the year/period	(750,210)	(79.6)	(1,802,068)	(89.2)	(1,653,421)	(53.6)	(268,152)	(55.6)	(303,896)	(47.2)
Add:										
Share-based compensation	173,665	18.4	603,634	29.9	433,403	14.1	-	-	-	-
Interest expense on redemption liabilities	186,240	19.8	638,682	31.6	670,963	21.8	158,684	32.9	190,778	29.6
Listing expenses	-	-	672	0.0	44,720	1.5	42,687	8.9	47,985	7.4
Adjusted net loss (non-IFRS measure)	(390,305)	(41.4)	(559,080)	(27.7)	(504,335)	(16.4)	(66,781)	(13.8)	(65,133)	(10.1)

Our management considers that (i) share-based compensation, which relates to options and shares that we awarded to our employees for their contribution to us, is non-cash in nature and does not result in cash outflow, (ii) interest expense on redemption liabilities is a non-cash item, and (iii) listing expenses, which relate to this Global Offering. Therefore, by eliminating the impacts of such items in the calculation of adjusted operating loss (a non-IFRS measure) and adjusted net loss (a non-IFRS measure), this measure could better reflect our underlying operating performance and could better facilitate the comparison of operating performance from year to year and from period to period.

Description of Key Statement of Comprehensive Income Items

In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we had revenue of RMB942.2 million, RMB2,018.4 million, RMB3,082.6 million, RMB482.3 million and RMB644.4 million, respectively. Increases in our revenue were primarily driven by the expansion of our user base and the increased spending of our users. More specifically, our revenue increased by 33.6% from the three months ended March 31, 2022 to the three months ended March 31, 2023, primarily attributable to the increase generated by our application development and other services driven by the expansion of our user base, as well as increased user spending. Our revenue increased by 52.7% from 2021 to 2022, primarily driven by the expansion of our user base, as well as increased user spending. Our revenue increased by 114.2% from 2020 to 2021, primarily attributable to the increase generated by our application development and other services due to (i) the increase of our use cases and users that need customized AI applications on Sage Platform, and (ii) the recovery from the negative impact of COVID-19 pandemic. In line with our revenue growth, our gross profit was RMB429.7 million, RMB953.5 million, RMB1,486.6 million, RMB234.9 million and RMB281.6 million in 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, respectively. Our overall gross profit margin increased from 45.6% in 2020 to 47.2% in 2021, primarily due to the increase of revenue contribution of application development and other services, which had relatively high gross profit margins, mainly as a result of recovery from the negative impact of COVID-19, and further to 48.2% in 2022, mainly as a result of the increase of revenue contribution of software licensing, which had relatively high gross profit margins, as software licensing requires less on-site services than our other segments, and thus was less affected by the recurrence of COVID-19 in 2022. Our overall gross profit margin decreased from 48.7% in the three months ended March 31, 2022 to 43.7% in the three months ended March 31, 2023, primarily due to the increase of revenue contribution from SageOne and application development and other services, which had lower gross profit margins compared with software licensing.

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In 2020 and 2021, we incurred net loss of RMB750.2 million and RMB1,802.1 million, respectively. The increases in net losses were primarily due to the increases of: (i) research and development expenses incurred to develop and enhance our solutions and technology stacks, (ii) selling and marketing expenses incurred to increase our brand awareness and expand our user base, (iii) general and administrative expenses, which are mainly attributable to share-based compensation paid to our employees, and (iv) interest expense on redemption liabilities in relation to certain nonrecurring preferred rights granted to our investors. Our net loss decreased from RMB1,802.1 million to RMB1,653.4 million from 2021 to 2022, primarily due to the decrease of our share-based compensation expenses. Our net loss increased from RMB268.2 million to RMB303.9 million from the three months ended March 31, 2022 to the three months ended March 31, 2023, primarily due to the increase of research and development expenses and interest expense on redemption liabilities in relation to certain nonrecurring preferred rights granted to our investors.

For details, see “Financial Information – Description of Key Statement of Comprehensive Income Items.”

Business Sustainability and Path to Profitability

Introduction

We were loss-making during the Track Record Period. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we incurred net loss of RMB750.2 million, RMB1,802.1 million, RMB1,653.4 million, RMB268.2 million and RMB303.9 million, respectively. The net losses were primarily due to the substantial amount of: (i) research and development expenses incurred to develop and enhance our solutions and technology stacks, see “Business – Research and Development,” (ii) selling and marketing expenses incurred to increase our brand awareness and expand our user base, (iii) general and administrative expenses, which are mainly attributable to share-based compensation paid to our employees, and (iv) interest expense on redemption liabilities in relation to certain preferred rights granted to our investors, which is non-recurring in nature. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, our adjusted net loss (a non-IFRS measure), which is defined as loss for the year by adding back share-based compensation, interest expense on redemption liabilities and listing expenses, amounted to RMB390.3 million, RMB559.1 million, RMB504.3 million, RMB66.8 million and RMB65.1 million, respectively. Our net loss increased from RMB750.2 million in 2020 to RMB1,802.1 million in 2021, primarily due to the substantial amount of (i) share-based compensation paid to our employees recognized as cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses and (ii) interest expense on redemption liabilities in relation to certain preferred rights granted to our investors, which is non-recurring in nature. Our net loss decreased from RMB1,802.1 million in 2021 to RMB1,653.4 million in 2022, primarily due to the decrease of our share-based compensation expenses. Our net loss increased from RMB268.2 million to RMB303.9 million from the three months ended March 31, 2022 to the three months ended March 31, 2023, primarily due to the increase of research and development expenses and interest expense on redemption liabilities in relation to certain non-recurring preferred rights granted to our investors. As we are still at a relatively early stage of our monetization efforts, we have been focusing on continuously optimizing our solutions and expanding our user base.

We plan to continue to enhance our financial performance by (i) effectively attracting and retaining our users, (ii) continuing to create value for users to further monetize our solutions, and (iii) effectively managing our cost and expenses, and enhancing operating leverage. Despite our continued expansion in user base, increase in average revenue per lighthouse user and enhanced capability to manage our cost and expenses, **we may continue to incur net losses and net operating cash outflow in the near future, including the year ending December 31, 2023**, mainly due to our continued investments in research and development of our technologies and solutions, marketing initiatives as well as share-based compensation.

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Effectively attracting and retaining our users

Effectively attracting new users and retaining existing users is crucial to driving revenue growths, and ultimately our ability to achieve profitability. The following table sets forth the numbers of our users and lighthouse users for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
Number of users	156	245	409	125	147
Number of lighthouse users for the previous year	32	47	75	N/A	N/A
Additions	21	33	36	N/A	N/A
Less ⁽¹⁾	6	5	7	N/A	N/A
Number of lighthouse users for the year/period	47	75	104	49	62

Note:

- (1) Refers to lighthouse users in the previous year that ceased to be regarded as our lighthouse users in the given year. However, the business relationship with such users has not been terminated. We have been providing ongoing supporting services to such lighthouse users under our standard service arrangement. Such users ceased to be our lighthouse users in the given year solely because we did not generate revenue from such users in such year from an accounting perspective.

As a result of our effective go-to-market strategy, we had 47, 75, 104, 49 and 62 lighthouse users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. In 2020, 2021 and 2022, we acquired 21, 33 and 36 new lighthouse users, respectively, illustrating the value of our solutions and our ability to expand our business. Lighthouse users refer to end users of Sage Platform which are either Global Fortune 500 companies or publicly listed companies. Our lighthouse users contributed 61%, 51%, 60%, 55% and 52% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. Therefore, growth in revenue from lighthouse users is a key driver in our overall revenue growth. Moreover, our expanding base of lighthouse users also help us to attract other users, which in turn further drives our revenue growth. Our initial success with lighthouse users enables us to further penetrate the respective industry and provide solutions to other players in the industry efficiently. As a result, we have accumulated a strong and rapidly growing total user base including both lighthouse users and other users, with 156, 245, 409, 125 and 147 users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. The effectiveness of our go-to-market strategy is evidenced by the rapid growth in the number of other users during the Track Record Period, representing a CAGR of 67.3% from 2020 to 2022, as compared to a CAGR of 48.8% for lighthouse users during the same years, reflecting our ability to penetrate into a larger user base following initial success with lighthouse users.

We plan to further implement our “go-to-market” strategy by strengthening our relationships with lighthouse users and further penetrate into a larger user base. We also work closely with third-party solution partners and leverage their understanding of end users’ demands, thereby developing tailored marketing strategies to acquire more users. As our existing users, in particular our lighthouse users, benefit from our solutions in more and more use cases, we will naturally be able to establish industry standards and attract more new users across sectors. We are able to leverage our experience and success in existing industry and

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scenario to expand into new industries with similar scenario. For example, successes in intelligent recommendation scenario in the restaurant industry can be leveraged when we are entering into other industries, such as fashion, which also have demands for intelligent recommendation. In addition, we will further optimize and enhance the functions of our solutions so that they can be applied in new scenarios and verticals. Moreover, we plan to recruit and retain talents with in-depth industry knowledge to strengthen our sales and marketing team, thereby leveraging their industry-specific sales experiences to expand users in new industries.

Continuing to create value for users to further monetize our solutions

We are dedicated to creating value to our users. As a result, we are able to explore additional monetization opportunities to help us scale up our revenues and to achieve profitability.

We plan to continue to create value for users and address their business needs by optimizing our solutions, innovating our technologies, providing satisfying customer services, among others. After we help them identify the critical issues, provide solutions and achieve the objectives of business improvement, they usually identify incremental business needs for AI within their operations and expand their use of our solutions. Moreover, as our users develop more AI applications for new use cases on our platform and/or increase usage in existing use cases which require more computing power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities after the initial sale. The average revenue per lighthouse user amounted to RMB12.3 million, RMB13.7 million, RMB17.9 million, RMB5.4 million and RMB5.4 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively, illustrating our ability to further monetize our solutions. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, our revenue generated from existing lighthouse users amounted to RMB445.8 million, RMB808.2 million, RMB1,300.4 million, RMB199.4 million and RMB267.0 million, respectively, representing 77.0%, 78.5%, 70.0%, 74.8% and 79.4% of total revenue generated from lighthouse end users for the same years, respectively. Driven by our successful value creation for lighthouse users, our overall average revenue per user amounted to RMB5.8 million, RMB6.9 million, RMB7.5 million, RMB3.9 million and RMB4.4 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

Effectively managing our cost and expenses, and enhancing operating leverage

Our ability to manage and control our costs and operating expenses is critical to the success of our business and our profitability.

Our cost structure is affected by the mix of our solution offerings. For example, with the launch of SageOne, we incurred an increased cost of finished goods sold as a percentage of revenue during the Track Record Period. We expect our cost of revenues as a percentage of revenue may vary from period to period in the short term as a result of the mix of our solution offerings, while it will generally decrease in the long term due to the following factors:

- As we continue to optimize our algorithms and to enhance the compatibility of software and hardware, we expect to improve the computing efficiency of our solutions, which enables us to enhance user experience while optimizing cost structure; and

SUMMARY

- We have invested heavily in developing technology capabilities and infrastructure, in order to provide highly scalable, standardized and flexible solutions for our users. The solutions we offer are highly modularized, which allows us to address users' customized demands effectively and efficiently, and in turn, enabling us to achieve significant overall cost and operating efficiency.

Our selling and marketing expenses (excluding share-based compensation) accounted for 24.1%, 17.7%, 13.1%, 16.7% and 12.9% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. We expect that our sales and marketing expenses as a percentage of total revenue will generally decrease in the long term due to the following factors:

- Our go-to-market strategy starts with market leaders in each industry we target to enter who are also early adopters of AI. We are able to leverage our experience and success in existing industry and scenario to expand into new industries with similar scenario. We demonstrate the value of our solutions through one or a few entry projects. Once our value has been proven, we are then able to expand our services quickly to address other business needs of our users. As a result of our go-to-market strategy, after we succeed with the lighthouse users, we leverage our understanding of the industries, our reputation established through collaborating with industry leaders, and our AI ecosystem to further enhance our influence in such industries, enabling us to further penetrate and provide solutions to other players, without incurring significant sales and marketing efforts;
- We expect to accumulate a larger user base and higher user stickiness as we continuously solidify our market leadership. We expect this to enable us to attract and retain users and, in the long-term, reduce spending on promotions and advertisements. As our users develop more AI applications for new use cases on our platform and/or increase usage in existing use cases which require more computing power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities with low marginal cost after the initial sale and improve our profitability;
- We expect to benefit from more efficient user acquisition through word-of-mouth referrals and enhanced brand awareness. With our established brand reputation and large use bases, we expect to continuously generate significant word-of-mouth referrals and organic user growth; and
- We plan to strengthen our relationships with solution partners to retain and expand our user base across various industries, which will help improve our sales and marketing efficiency in the long run.

Our general and administrative expenses (excluding share-based compensation) accounted for 12.7%, 8.6%, 8.1%, 17.2% and 15.7% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. We expect that our general and administrative expenses as a percentage of total revenue will generally decrease in the long term, as the major expense component, employee benefit expenses, generally do not increase proportionally with our revenue growth.

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Our research and development expenses (excluding share-based compensation) accounted for 57.3%, 55.3%, 48.8%, 46.8% and 37.5% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. While we will continue to invest in research and development capabilities to support our long term growth, we expect that our research and development expenses will generally decrease as a percentage of total revenue in the long term, as (i) we expect to have stronger bargaining power against our suppliers for outsourced R&D services as we scale up, and are thus able to obtain more favorable pricing terms, and (ii) the major expense component, employee benefit expenses, generally do not increase proportionally with our revenue growth, and thus we are able to enjoy economies of scale as we scale up. We plan to (i) further strengthen our existing core technologies, and (ii) invest in the research and development team of new areas which may lead to the next generation of AI technologies. For example, we are dedicated to developing technologies in the area of data privacy protection, including privacy preserving learning, which is able to enhance data privacy in the process of machine learning, and federated learning which entails training algorithm on local datasets without exchange data samples, thereby enhancing data security and privacy. For details, see “Business – Research and Development.”

Our future profitability is uncertain and subject to various factors, including our ability to develop new technologies, enhance user experience, establish effective monetization strategies, compete effectively and successfully, and continuously grow revenues and our user base in a cost-effective way by improving our operational efficiency. For details, see “Risk Factors – Risks Related to Our Business and Industry – We have recorded net losses, net liabilities and operating cash outflow during the Track Record Period and recorded net current liabilities as of March 31, 2023, and we may not be able to achieve or subsequently maintain profitability.”

Working Capital Sufficiency

In line with our revenue growth, we have experienced increase in our trade receivables, particularly the trade receivables aged over six months, during the Track Record Period. The following table sets forth the ageing analysis of our trade receivables based on invoice date as of the dates indicated.

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Up to 3 months	126,601	403,264	957,044	552,954
3 to 6 months	87,412	231,336	278,486	562,433
6 months to 1 year	24,432	128,141	130,321	238,327
Over 1 year	29,564	35,741	188,569	199,604
Less: Credit loss allowance	(5,310)	(20,161)	(61,182)	(59,366)
Trade receivable, Net	262,699	778,321	1,493,238	1,493,952

We are exposed to credit risk related to defaults of our customers. For details, see “Risk Factors – Risk Related to Our Business and Industry – We are subject to credit risk related to defaults of customers, and any significant default on our receivables could materially and adversely affect our liquidity, financial condition and results of operations.”

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We have recorded net cash used in operating activities of RMB452.9 million, RMB770.0 million, RMB779.6 million, RMB169.4 million and RMB461.2 million, in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively, primarily due to the net loss recorded and increases in our trade receivables, mainly due to our business growth. For details, see “Financial Information – Liquidity and Capital Resources.” For details of our ability to improve our net operating cash flow, see “– Key Financial Ratios – Summary of Consolidated Statements of Cash Flows.”

Our principal capital expenditures relate primarily to (i) property and equipment, including leasehold improvements, computer and electric equipment, and office furniture and equipment, and (ii) intangible assets, primarily including software and copyrights and intangible assets recognized as a result of our acquisition of subsidiaries. In 2020, 2021, 2022 and the three months ended March 31, 2023, we incurred capital expenditures of RMB51.3 million, RMB416.8 million, RMB113.9 million and RMB1.7 million, respectively.

Sufficient working capital is essential to our ability to successfully execute our growth strategies, and thus to enhance our business sustainability. To ensure working capital sufficiency, we plan to enhance our working capital management efficiency, improve our management of trade receivables and increase the focus on trade receivable collection. We also expect to be able to enjoy economics of scale as we scale up, which will further improve our net operating cash outflow positions. Furthermore, taking into account (i) the financial resources available to us, including a total of RMB2,990 million liquid cash resources as of March 31, 2023 (that include cash and cash equivalents, short-term and long-term bank deposits, short-term investments measured at fair value through profit or loss, restricted cash), (ii) the portion of the estimated net proceeds from the Global Offering expected to be used for working capital and general corporate purposes, (iii) our good track record in being able to raise money from renowned investors to finance our business, as evidenced by our historical fund-raising activities, and (iv) our plans to continue to enhance our financial performance, our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Prospectus.

KEY OPERATING METRICS

The following table sets forth the key operating metrics for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
Number of users	156	245	409	125	147
Number of lighthouse users	47	75	104	49	62
Average revenue per lighthouse user (RMB million)	12.3	13.7	17.9	5.4	5.4

As a result of our effective go-to-market strategy, we had 47, 75, 104, 49 and 62 lighthouse users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. Our initial success with lighthouse users enable us to further penetrate the respective industry and provide solutions to other players in the industry efficiently. As a result, we have accumulated a strong and rapidly growing total user base including both lighthouse users and other users, with 156, 245, 409, 125 and 147 users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

SUMMARY

We are dedicated to creating value to our users. We plan to continue to create value for users and address their business needs by optimizing our solutions, innovating our technologies, providing satisfying customer services, among others. After we help them identify the critical issues, provide solutions and achieve the objectives of business improvement, they usually identify incremental opportunities within their operations and expand their use of our solutions. Moreover, as our users develop more AI applications for new use cases on our platform and/or increase usage in existing use cases which require more computing power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities after the initial sale. The average revenue per lighthouse user amounted to RMB12.3 million, RMB13.7 million, RMB17.9 million, RMB5.4 million and RMB5.4 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

Driven by our expanding user base and increasing spending from existing users, we have experienced tremendous revenue growth during the Track Record Period. Our revenue grew by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021 and further by 52.7% to RMB3,082.6 million in 2022. Our revenue grew by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023.

KEY FINANCIAL RATIOS

We believe that our revenue growth, gross profit margin and contribution margin are important measures of our operation efficiency over time. Revenue growth rate shows the period-over-period growth rate of our total revenue, and gross profit margin equals revenue less cost of sales divided by revenue. Contribution margin is defined as a percentage of contribution bearing to revenue. Contribution is defined as revenue less cost of sales and selling and marketing expenses. The following table sets forth a summary of our key financial ratios for the years/periods indicated.

	For the year ended			For the three months	
	December 31,			ended March 31,	
	2020	2021	2022	2022	2023
	%	%	%	%	%
Revenue growth	105.0	114.2	52.7	N/A	33.6
Gross profit margin	45.6	47.2	48.2	48.7	43.7
Contribution margin	19.3	24.7	34.9	32.0	30.8

As a result of our continuous business expansion, our revenue experienced rapid growth, with a growth rate of 105.0%, 114.2%, 52.7% and 33.6% in 2020, 2021, 2022 and in the three months ended March 31, 2023 compared to the corresponding period in 2022, respectively. Our overall gross profit margin increased from 45.6% in 2020 to 47.2% in 2021, primarily due to the increase of revenue contribution of application development and other services, which had

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relatively high gross profit margins, and further to 48.2% in 2022, mainly as a result of the increase of revenue contribution of software licensing, which had relatively high gross profit margins, as software licensing requires less on-site services than our other segments, and thus was less affected by the recurrence of COVID-19 in 2022. Our overall gross profit margin decreased from 48.7% in the three months ended March 31, 2022 to 43.7% in the three months ended March 31, 2023, primarily due to the increase of revenue contribution from SageOne and application development and other services, which had lower gross profit margins compared with software licensing. Our contribution margin increased from 19.3% in 2020 to 24.7% in 2021 and 34.9% in 2022. Our contribution margin increased from 2020 to 2022 primarily because we improved our efficiency in managing cost of sales and selling and marketing expenses. Our contribution margin decreased from 32.0% for the three months ended March 31, 2022 to 30.8% for the three months ended March 31, 2023, primarily due to the increase of revenue contribution of SageOne and application development and other services, which had higher cost of sales compared with software licensing.

Summary of Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Total non-current assets	213,667	1,352,969	1,800,817	1,728,552
Total current assets	1,802,342	5,095,715	4,918,167	4,529,263
Total assets	2,016,009	6,448,684	6,718,984	6,257,815
Deficit on total equity	(1,182,999)	(248,013)	(1,461,011)	(1,828,895)
Total non-current liabilities	2,937,677	5,939,764	6,628,886	127,370
Total current liabilities	261,331	756,933	1,551,109	7,959,340
Total liabilities	3,199,008	6,696,697	8,179,995	8,086,710
Net current assets/(liabilities)	1,541,011	4,338,782	3,367,058	(3,430,077)
Total equity and liabilities	2,016,009	6,448,684	6,718,984	6,257,815
Non-controlling interests	(4,976)	103,008	113,701	102,751

SUMMARY

We had net current assets of RMB1,541.0 million, RMB4,338.8 million, RMB3,367.1 million, respectively, as of December 31, 2020, 2021 and 2022. We had net current liabilities of RMB3,430.1 million as of March 31, 2023.

Our net current assets increased from RMB1,541.0 million as of December 31, 2020 to RMB4,338.8 million as of December 31, 2021, primarily due to an increase in financial assets at fair value through profit or loss from RMB174.4 million as of December 31, 2020 to RMB2,535.8 million as of December 31, 2021 primarily as a result of our investments in wealth management products due to our equity financing activities in 2021.

Our net current assets decreased from RMB4,338.8 million as of December 31, 2021 to RMB3,367.1 million as of December 31, 2022, primarily attributable to a decrease in the current portion of financial assets at fair value through profit or loss from RMB2,535.8 million to RMB1,330.2 million, mainly as a result of our utilization of cash and financial assets in operating expenditures.

Our net current assets of RMB3,367.1 million as of December 31, 2022 changed to net current liabilities of RMB3,430.1 million as of March 31, 2023, primarily due to the increase of redemption liabilities of RMB6,683.9 million, which were reclassified from non-current redemption liabilities to current redemption liabilities, as the redemption rights may be exercised within one year under circumstances such as failure to achieve a Qualified IPO.

Our redemption liabilities were RMB2,147.0 million, RMB5,822.2 million, RMB6,493.2 million and RMB6,683.9 million, respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023. Our redemption liabilities primarily relate to our obligation to repurchase our own equity instruments in connection with the redemption rights and liquidation preferences granted to our investors in certain situations. The significant increase of redemption liabilities as of December 31, 2020 to that as of December 31, 2021 was primarily in connection with our equity financing activities. We expect to turn our net liabilities position into net assets upon Listing, as the carrying amount of redemption liabilities will be reclassified from financial liabilities to equity as a result of the termination of the aforesaid preferred rights.

We recorded accumulated loss of RMB2,068.9 million, RMB2,534.5 million, RMB4,177.7 million and RMB4,469.0 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively, primarily as a result of our net loss from the preceding fiscal years.

Our net liabilities decreased from RMB1,183.0 million as of December 31, 2020 to RMB248.0 million as of December 31, 2021, primarily driven by (i) an increase in capital contribution from shareholders of RMB5,055.2 million as a result of our financing activities, and (ii) an increase in the derecognition of redemption liabilities of RMB1,812.3 million because, in May 2021, certain investors agreed to terminate the aforesaid preferred rights we granted to them, partially offset by (i) an increase in the recognition of redemption liabilities of RMB4,848.8 million related to the aforesaid preferred rights and (ii) an increase in the comprehensive loss for the year of RMB1,791.1 million. Our net liabilities increased from RMB248.0 million as of December 31, 2021 to RMB1,461.0 million as of December 31, 2022,

SUMMARY

primarily driven by an increase in the comprehensive loss for the year of RMB1,656.2 million. Our net liabilities increased from RMB1,461.0 million as of December 31, 2022 to RMB1,828.9 million as of March 31, 2023, primarily driven by (i) an increase in the comprehensive loss for the period of RMB303.5 million and (ii) an increase of repurchase and cancellation of shares of RMB259.0 million, partially offset by an increase of capital contribution from shareholders of RMB194.7 million. The share repurchase and increase of capital contribution was in relation to the 2022 share award scheme, see Note 26 to the Accountant’s Report in Appendix I to this Prospectus.

For details, see “Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position.”

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Net cash used in operating activities	(452,940)	(770,008)	(779,589)	(169,414)	(461,211)
Net cash (used in)/generated from investing activities	(139,083)	(3,199,611)	822,387	(140,776)	623,973
Net cash generated from/(used in) financing activities	942,428	4,210,015	(9,014)	(21,210)	(64,130)
Net increase/(decrease) in cash and cash equivalents	350,405	240,396	33,784	(331,400)	98,632
Cash and cash equivalents at the beginning of the year/period	703,786	1,052,073	1,292,686	1,292,686	1,326,818
Effects of exchange rate changes on cash and cash equivalents	(2,118)	217	348	(33)	(162)
Cash and cash equivalents at the end of the year/period	1,052,073	1,292,686	1,326,818	961,253	1,425,288

We have recorded net cash used in operating activities of RMB452.9 million, RMB770.0 million, RMB779.6 million, RMB169.4 million and RMB461.2 million, in 2020, 2021, 2022 and three months ended March 31, 2022 and 2023, respectively, primarily due to the net loss recorded and increases in our trade receivables, mainly due to our business growth. For details, see “Financial Information – Liquidity and Capital Resources.”

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Working Capital

We usually grant a credit term ranging from 3 to 6 months to our customers, whereas our suppliers, especially the new suppliers, usually grant us shorter credit terms. We believe that this gap will be gradually reduced considering that (i) as we scale up, we expect to have stronger bargaining power against our suppliers and are thus able to obtain more favorable credit terms, and (ii) as we built trust with our customers and gained more bargaining power as our business developed, we are able to negotiate for shorter credit terms with our customers.

Furthermore, taking into account (i) the financial resources available to us, including a total of RMB2,990 million liquid cash resources as of March 31, 2023 (that include cash and cash equivalents, short-term and long-term bank deposits, short-term investments measured at fair value through profit or loss, restricted cash), (ii) the portion of the estimated net proceeds from the Global Offering expected to be used for working capital and general corporate purposes, (iii) our good track record in being able to raise money from renowned investors to finance our business, as evidenced by our historical fund-raising activities, and (iv) our plans to continue to enhance our financial performance, for details of which see “– Business Sustainability and Path to Profitability”, our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Prospectus.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 18,396,000 Offer Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 464,060,533 Shares are in issue upon completion of the Global Offering:

	Based on an Offer Price of HK\$55.60 per H Share	Based on an Offer Price of HK\$61.16 per H Share
Market capitalization of our Shares ⁽¹⁾ Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$25,801,765,635	HK\$28,381,942,198
	HK\$12.18	HK\$12.39

Notes:

- (1) The calculation of the market capitalization of our Shares is based on the assumption that 464,060,533 Shares will be in issue and outstanding immediately following the completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 464,060,533 Shares immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HKD1.0862.
- (3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2023.

SUMMARY

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately prior to the Global Offering, Dr. Dai as our Controlling Shareholder, by himself and through his close associates, Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, controlled approximately 40.44% of our total issued share capital and together, they constitute our Controlling Shareholders (as defined under the Listing Rules) before the Listing. Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, Dr. Dai by himself and through his close associates, being Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, will control approximately 38.84% of our total issued share capital and they will remain as our Controlling Shareholders upon Listing.

Pre-IPO Investments

Between August 2015 to June 2021, our Company entered into several rounds of pre-IPO financing agreements with our Pre-IPO Investors with the aggregate amount of consideration of approximately US\$1.0 billion. For further details of the identity and background of the Pre-IPO Investors, see “History, Development and Corporate Structure – Pre-IPO Investments” in this Prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We are applying for the Listing under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, among other things, with reference to (i) our revenue for the year ended December 31, 2022, being RMB3,082.6 million, which is significantly over HK\$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the Listing, which, based on the low end of the Offer Price range, exceeds HK\$4 billion as required by Rule 8.05(3) of the Listing Rules.

DIVIDEND

No dividends have been paid or declared by us or our subsidiaries during each of the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023.

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After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. As of the Latest Practicable Date, we did not have a formal dividend policy. The Board has approved a dividend policy, which will become effective upon Listing. Under the dividend policy, we may provide our Shareholders with interim or annual dividends as the Board deems appropriate. The Board will consider, among other things, the following factors when proposing dividends and determining the amount of dividends:

- our actual and projected financial performance;
- our estimated working capital requirements, capital expenditure requirements and future business expansion plan;
- our present and future cash flow;
- other internal and external factors that may have an impact on our business operations or financial performance and position; and
- other factors that our Board deem relevant.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of our Shareholders.

PRC laws require that dividends be paid only out of our distributable profits, for which the PRC laws do not specify the applicable accounting principles. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. We do not expect such difference between distributable profits calculated under PRC GAAP and IFRS, or other differences between PRC GAAP and IFRS to have a material impact on our financial performance. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if we become profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our PRC Legal Advisor is of the view that after making up losses and appropriation of statutory reserves, we may distribute after-tax profits. Our dividend distribution may also be restricted if we incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

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FUTURE PLANS AND USE OF PROCEEDS

The aggregate net proceeds that we expect to receive from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$58.38 per Share, being the mid-point of the indicative range of the Offer Price of HK\$55.60 to HK\$61.16 per Share) will be approximately HK\$885.0 million. We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of new Shares together with any applicable fees relating to the Global Offering. We intend to use the net proceeds we will receive from this offering for the following purposes:

- Approximately 60%, or HK\$531.0 million, will be allocated over the next three years to enhance our fundamental research, technological capabilities and solution development.
- Approximately 20%, or HK\$177.0 million, will be allocated over the next three years to expand our offerings, build our brand and enter into new industry sectors.
- Approximately 10%, or HK\$88.5 million, will be allocated over the next three years to pursue strategic investment and acquisition opportunities to implement our long-term growth strategy to develop our solutions and expand and penetrate the industry verticals we cover.
- Approximately 10%, or HK\$88.5 million, will be used for general corporate purposes.

LISTING EXPENSES

Based on the mid-point Offer Price of HK\$58.38 (being the mid-point of our Offer Price range of HK\$55.60 to HK\$61.16 per Offer Share), the total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK\$189.0 million (equivalent to approximately RMB174.0 million), accounting for 17.6% of our gross proceeds, assuming the Over-allotment Option is not exercised. These listing expenses mainly include underwriting fees and commissions and professional fees paid to legal, accounting and other advisors, for their services rendered in relation to the Listing and the Global Offering, comprising of (i) HK\$35.5 million of underwriting-related expenses (including but not limited to commissions and fees); and (ii) HK\$153.5 million of non-underwriting-related expenses, including HK\$134.6 million of fees and expenses of legal advisors and accountants and HK\$18.9 million of other fees and expenses.

As of March 31, 2023, we had incurred RMB106.8 million of listing expenses for the Global Offering, among which RMB93.4 million was charged to our consolidated statement of comprehensive income. We estimate that an additional listing expenses of RMB67.2 million assuming the Over-allotment Option is not exercised will be further incurred by our Group. In aggregate, we expect to incur RMB174.0 million for the Global Offering, among which RMB129.3 million is expected to be charged to our consolidated statement of comprehensive income and RMB44.7 million is directly attributable to the issue of Shares and expected to be charged against equity upon the Listing.

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RECENT DEVELOPMENT

Impact of COVID-19

The COVID-19 pandemic and its recurrence have caused temporary disruption to our solutions to the extent that necessary on-site meetings, deployment and technical support had to be delayed or cancelled, which has had a negative impact on our results of operations during the Track Record Period. Despite temporary disruption caused by COVID-19, we have been able to sustain our strong growth momentum, delivering robust revenue growth during the Track Record Period. The recurrence of COVID-19 outbreak in some cities, such as Beijing and Shanghai, further affected our businesses, especially in terms of on-site meetings, deployment and technical support. As of the Latest Practicable Date, we were not aware of any material adverse impacts on our business operations.

See “Financial Information – Impact of COVID-19” and “Risk Factors – Risks Related to Our Business and Industry – The COVID-19 pandemic presents challenges to our business and the effects of the pandemic could adversely affect our business, financial condition and results of operations.”

Regulatory Update

Cybersecurity and Data Privacy

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law, which has become effective on September 1, 2021. The PRC Data Security Law provides for data security obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data processing activities which may affect national security and imposes export restrictions on certain data and information.

On November 14, 2021, the Cyberspace Administration of China (the “CAC”) released the Network Data Security Management Regulations (Draft for Comment) (the “Draft Regulations”) (《網絡數據安全管理條例(徵求意見稿)》).

Based on the literal interpretation of the Draft Regulations, our PRC Legal Advisers are of the view that, if the Draft Regulations remains in its current form after its promulgation, it may be unlikely that we would be required to undergo a cybersecurity review for the proposed Listing.

SUMMARY

Up to the Latest Practicable Date, we had not been notified by any authorities of being classified as a data processor carrying out data processing activities that influence or may influence national security, neither had we been subject to any cybersecurity review, enquiry, investigation or notice by the CAC or any other authorities in connection with the proposed Listing. We and our PRC Legal Advisor are of the view that, assuming the Draft Regulations become effective in their current forms, they will not have a material adverse impact on our business, results of operations, or the proposed Listing. There can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our PRC Legal Advisor above, and it is also possible that the PRC government authorities may require us to apply for the cybersecurity review for other reasons. In light of the above uncertainties, as of the Latest Practicable Date, we had not applied for such cybersecurity review. We will closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Draft Regulations is formally promulgated.

For details, see “Regulatory Overview – Regulations Relating to Internet Information Security and Privacy Protection.”

Recent Regulatory Developments Relating to Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities.

Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

We are also proactively following up changes in laws and regulatory development and will carry out relevant work to ensure compliance with laws and regulations with the aid of external counsels.

For details, see “Regulatory Overview – Regulations on Overseas Listing.”

SUMMARY

U.S. Export Control Laws and Regulations

Effective March 2, 2023, the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”) added certain entities to the entity list (the “Entity List”), including “4Paradigm Technology Co., Ltd.” with aliases “4Paradigm,” “4th Paradigm,” and “Fourth Paradigm”. The address of such entity was provided as “Building 1, No. 66 Qinghe Middle Street, Haidian District, Beijing, China.” Out of an abundance of caution and unless or until we receive further clarification from BIS, we will assume that all entities located at the address provided in the Entity List are subject to the Entity List restrictions in order to comply with the relevant restrictions. These entities specifically include: Beijing Fourth Paradigm Technology Co., Ltd., Fourth Paradigm (Beijing) Data & Technology Co., Ltd., Beijing Paradigm Empowerment Enterprise Management Co., Ltd., Beijing Xuexian Intelligent Technology Co., Ltd., Beijing Yuntian Xinrui Technology Co., Ltd., Beijing Future Paradigm Technology Co., Ltd., Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd., and Zhimei Xinchuang (Beijing) Technology Co., Ltd. (the “Listed Entities”). However, it is possible that not all Listed Entities are subject to the restrictions.

The addition of the Listed Entities to the Entity List restricts the ability of those specific entities, but not of legally distinct entities, such as subsidiaries or affiliates of the Listed Entities, to purchase, acquire, or otherwise obtain any items subject to the Export Administration Regulations, 15 C.F.R. Parts 730-774 (“EAR”) without a license from BIS. Specifically, absent a license from BIS, it is prohibited to export, reexport, or transfer any items subject to the EAR when any Listed Entity is a party to the transaction, including as purchaser, intermediate consignee, ultimate consignee, or end-user. That is, even if the Listed Entity is not the intended end user of the item(s) involved, the restrictions would still apply to the extent the Listed Entity is the purchaser or otherwise involved in a given transaction. License applications to the Listed Entities will be reviewed with a presumption of denial for all items subject to the EAR. For further information, see “Regulatory Overview – U.S. Export Control Laws and Regulations.”

As advised by Jacobson Burton Kelley PLLC (“JBK”), our legal opinion counsel as to U.S. export control laws, the designation of the Listed Entities to the Entity List should not have a material impact on the business or operations of our Group. For detailed analysis by JBK, see “Business – U.S. Export Control Laws and Regulations.”

No Material Adverse Change

We expect to record substantial amount of net losses for the year ending December 31, 2023, which is primarily due to our continued investments in research and development of our technologies and solutions, marketing initiatives, share-based compensation as well as estimated interest expense from redemption liabilities. In addition, we expect to record substantial amount of cash used in operations for the year ending December 31, 2023, primarily due to the significant amount of estimated loss before income tax.

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since March 31, 2023, the end of the period reported on in the Accountant’s Report included in Appendix I to this Prospectus.

SUMMARY

THE A SHARE LISTING

We plan to conduct the offering and listing of A shares at an appropriate time after the Global Offering. As of the Latest Practicable Date, we have not determined the size and scope of the contemplated A share offering and have not made any application to any recognized stock exchange in the PRC for approval for the listing of any A shares. There is no assurance that we will conduct an A share offering in the future. For details, see “Risk Factors – We plan to conduct the offering and listing of A shares at an appropriate time after the Global Offering, but there is no assurance that we will conduct such an A share offering, and the characteristics of the A share and H share markets are different” and “History, Development and Corporate Structure – Rights of the Pre-IPO Investors”.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.

“4Paradigm Beijing”	Fourth Paradigm (Beijing) Data & Technology Co., Ltd.* (第四範式(北京)技術有限公司), a limited liability company established in the PRC on May 12, 2015, formerly known as 北京物思創想科技有限公司 and a wholly-owned subsidiary of our Company
“4Paradigm Digital Technology”	Fourth Paradigm (Beijing) Digital Technology Co., Ltd. (第四範式(北京)數字科技有限公司), a limited liability company established in the PRC on June 10, 2022 and an indirect wholly-owned subsidiary of our Company
“4Paradigm HK”	Fourth Paradigm International Limited, a limited liability company established in Hong Kong on June 1, 2018 and an indirect wholly-owned subsidiary of our Company
“4Paradigm Shenzhen”	Fourth Paradigm (Shenzhen) Data & Technology Co., Ltd.* (第四範式(深圳)技術有限公司), a limited liability company established in the PRC on March 11, 2019 and a direct wholly-owned subsidiary of our Company
“4Paradigm Singapore”	Fourth Paradigm Southeast Asia Pte. Ltd., a limited liability company established in Singapore on July 11, 2018 and an indirect wholly-owned subsidiary of our Company
“4Paradigm Technology”	Beijing Fourth Paradigm Science & Technology Co., Ltd.* (北京第四範式科技有限公司), a limited liability company established in the PRC on September 29, 2016 and a wholly-owned subsidiary of our Company
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AIC”	Administration of Industry & Commerce* (工商管理機關) of the PRC (now known as the Administration for Market Regulation* (市場監督管理局)) or, where the context so requires, the State Administration for Industry & Commerce of the PRC (中華人民共和國工商管理總局) or its delegated authority at the provincial, municipal or other local level

DEFINITIONS

“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this Prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Fourth Paradigm Technology”	Beijing Fourth Paradigm Technology Co., Ltd.* (北京第四範式智能技術有限公司), the predecessor of our Company established in the PRC on September 17, 2014 and formerly known as Shenzhen City Qianhai 4Paradigm Information Technology Co., Ltd.* (深圳市前海第四範式數據技術有限公司) before April 21, 2021
“Beijing Innovation”	Beijing Innovation Works VC Center (Limited Partnership)* (北京創新工場創業投資中心(有限合夥)), a limited partnership established in the PRC on May 22, 2015, one of our Pre-IPO Investors
“Beijing New Power”	Beijing New Power Quality Enterprise Development Fund (Limited Partnership)* (北京新動力優質企業發展基金(有限合夥)), a limited partnership established in the PRC on November 8, 2018, 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 Ms. Wu, respectively, and one of our Controlling Shareholders
“Beijing Paradigm Empowerment”	Beijing Paradigm Empowerment Enterprise Management Co., Ltd. (北京範式賦能企業管理有限公司), a limited liability company established in the PRC on January 17, 2023 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Beijing Paradigm Pilot”	Beijing Paradigm Pilot Technology Co., Ltd. (北京範式領航科技有限公司), a limited liability company established in the PRC on December 16, 2022 and an indirect wholly-owned subsidiary of our Company
“Beijing Shijin”	Beijing Shijin Enterprise Management Partnership (Limited Partnership) (北京式進企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 13, 2023 of which Beijing Paradigm Empowerment is the sole general partner, and 4Paradigm Beijing is the sole limited partner, holding 1% and 99% of the interest, respectively
“Beijing Shijing”	Beijing Shijing Enterprise Management Partnership (Limited Partnership) (北京式精企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 13, 2023 of which Beijing Paradigm Empowerment is the sole general partner, and 4Paradigm Beijing is the sole limited partner, holding 1% and 99% of the interest, respectively
“Beijing Shili”	Beijing Shili Enterprise Management Partnership (Limited Partnership) (北京式利企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 13, 2023 of which Beijing Paradigm Empowerment is the sole general partner, and 4Paradigm Beijing is the sole limited partner, holding 1% and 99% of the interest, respectively
“Beijing Shiqin”	Beijing Shiqin Enterprise Management Partnership (Limited Partnership) (北京式勤企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 13, 2023 of which Beijing Paradigm Empowerment is the sole general partner, and 4Paradigm Beijing is the sole limited partner, holding 1% and 99% of the interest, respectively
“Beijing Shita”	Beijing Shita Enterprise Management Partnership (Limited Partnership) (北京式他企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 13, 2023 of which Beijing Paradigm Empowerment is the sole general partner, and 4Paradigm Beijing is the sole limited partner, holding 1% and 99% of the interest, respectively

DEFINITIONS

“Beijing Shixin”	Beijing Shixin Enterprise Management Partnership (Limited Partnership) (北京式心企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 13, 2023 of which Beijing Paradigm Empowerment is the sole general partner, and 4Paradigm Beijing is the sole limited partner, holding 1% and 99% of the interest, respectively
“Beijing Yuntian”	Beijing Yuntian Xinrui Technology Co., Ltd. (北京雲天新瑞科技有限公司), a limited liability company established in the PRC on September 27, 2019 and an indirect wholly-owned subsidiary of our Company
“BIS”	the U.S. Department of Commerce’s Bureau of Industry and Security
“Board” or “Board of Directors”	the board of Directors
“Boyu Jingtai”	Boyu Jingtai (Shanghai) Equity Investment Partnership (Limited Partnership)* (博裕景泰(上海)股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 28, 2016, one of our Pre-IPO Investors
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“Capital Market Intermediaries” or “Capital Market Intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDBC Manufacturing Fund”	CDBC Manufacturing Transformation and Upgrading Fund (Limited Partnership) (國開製造業轉型升級基金(有限合夥)), a limited partnership established in the PRC on May 26, 2020, one of our Pre-IPO Investors
“CEO”	the chief executive officer of our Company
“Chance Talent”	Chance Talent Management Limited, a limited liability company established in the British Virgin Islands on July 4, 2007, one of our Pre-IPO Investors
“Changchun Ideal”	Changchun Ideal Technology Information Co., Ltd.* (長春理想科技信息有限公司), a limited liability company established in the PRC on August 3, 2022, an indirect subsidiary of our Company

DEFINITIONS

“China” or “PRC”	the People’s Republic of China which, for the purpose of this Prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“China-UAE Investment”	China-UAE Investment Cooperation (HK 1) Company Limited, a limited liability company established in Hong Kong on November 27, 2020, one of our former Pre-IPO Investors
“China-UAE Investment (Cayman)”	China-UAE Investment Cooperation (Cayman) Holdings Limited, a limited liability company incorporated in the Cayman Islands, one of our Pre-IPO Investors
“CIC”	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
“Cisco China”	Cisco China Company Limited* (思科(中國)有限公司), a limited liability company established in the PRC on August 22, 2013, one of our Pre-IPO Investors
“CITIC Construction Investment”	CITIC Construction Investment Co., Ltd. (中信建投投資有限公司), a limited liability company established in the PRC on November 27, 2017, one of our Pre-IPO Investors
“CITIC Securities Investment”	CITIC Securities Investment Limited (中信証券投資有限公司), a limited liability company established in the PRC on April 1, 2012, one of our Pre-IPO Investors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company,” “our Company” or “the Company”	Beijing Fourth Paradigm Technology Co., Ltd. (北京第四範式智能技術股份有限公司), a limited liability company incorporated in the PRC on September 17, 2014 and converted into a joint stock limited liability company incorporated in the PRC on July 9, 2021, whose predecessor was Beijing Fourth Paradigm Technology (北京第四範式智能技術有限公司)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Dr. Dai, Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin. See the section headed “Relationship with our Controlling Shareholders” in this Prospectus
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Domestic Share Divestment Rights”	the divestment rights given by Dr. Dai to certain Pre-IPO Investors to purchase the Domestic Shares held by such Pre-IPO Investors in connection with the potential A share listing of the Company, the details of which is set forth in “History, Development and Corporate Structure – Rights of the Pre-IPO Investors”
“Dongkong Jinlong”	Foshan City South Sea Dongkong Jinlong Investment Partnership (Limited Partnership) (佛山市南海東控錦龍投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 8, 2018, one of our Pre-IPO Investors

DEFINITIONS

“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
“EAR”	the Export Administration Regulations, 15 C.F.R. Parts 730-774
“EIT”	enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“Employee Incentive Platforms”	Paradigm Investment and Nanjing Paradigm, the beneficial interests of which are offered to certain key employees of our Company pursuant to the Employee Incentive Scheme, and Paradigm Investment is one of our Controlling Shareholders
“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
“Entity List”	the entity list administrated by BIS
“EpicHust”	EpicHust Technology (Wuhan) Co., Ltd.* (艾普工華科技(武漢)有限公司), a limited liability company established in the PRC on March 7, 2012 and owned as to 79.66% by our Company
“EUR”	Euro, the lawful currency of the member states of the European Union
“Exchange Participant”	a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange

DEFINITIONS

“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“Fangyuan Chuangying”	Ningbo Meishan Bonded Port Area Fangyuan Chuangying Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區方源創盈股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 11, 2017, one of our Pre-IPO Investors
“Future Paradigm”	Beijing Future Paradigm Technology Co., Ltd. (北京未來範式科技有限公司), a limited liability company established in the PRC on May 28, 2018 and wholly-owned by our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by the Company
“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)
“Growing Fame”	Growing Fame Holdings Limited, a limited liability company established in the British Virgin Islands, one of our Pre-IPO Investors
“GS Asia II”	Goldman Sachs Asia Strategic II Pte. Ltd., a limited liability company established in the Singapore, one of our Pre-IPO Investors
“Guangkong Zhongying”	Zhuhai Guangkong Zhongying Industry Investment Fund Partnership (Limited Partnership) (珠海光控眾盈產業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on August 30, 2016, one of our Pre-IPO Investors

DEFINITIONS

“Guangzhou Jianxin”	Guangzhou Jianxin Technology Co., Ltd.* (廣州健新科技有限責任公司), previously known as Guangzhou Jianxin Automation Technology Co., Ltd.* (廣州健新自動化科技有限公司), a limited liability company established in the PRC on April 6, 2005 and owned as to 66% by our Company
“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, one of our Pre-IPO Investors
“H Share Registrar”	Tricor Investor Services Limited
“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
“Hainan BOCOM”	Hainan BOCOM International Science and Technology Innovation Shengxing Equity Investment Partnership (Limited Partnership) (海南交銀國際科創盛興股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 31, 2020, one of our Pre-IPO Investors
“Hainan Yuanfengshang”	Hainan Yuanfengshang Technology Partnership (Limited Partnership) (海南元風尚科技合夥企業(有限合夥)), a limited partnership established in the PRC on July 6, 2021, one of our Pre-IPO Investors
“Haitong International Investment”	Haitong International Investment Holdings Limited, a limited liability company established in the British Virgin Islands, one of our Pre-IPO Investors
“Hangzhou Fantong”	Hangzhou Fantong Equity Investment Partnership (Limited Partnership) (杭州範同股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 7, 2020, one of our Pre-IPO Investors
“Hefei Shanyue”	Hefei Shanyue Intelligence Technology Co., Ltd. (合肥山月智能科技有限公司), a limited liability company established in the PRC on March 4, 2022 and owned as to 51% by our Company

DEFINITIONS

“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the IPO App or the designated website at <u>www.hkeipo.hk</u>
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App and on the designated website at <u>www.hkeipo.hk</u>
“ HKSCC ”	Hong Kong Securities Clearing Company Limited, a wholly- owned subsidiary of Hong Kong Exchanges and Clearing Limited
“ HKSCC Nominees ”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“ Hong Kong ” or “ HK ”	the Hong Kong Special Administrative Region of the PRC
“ Hong Kong dollars ” or “ HK dollars ” or “ HK\$ ”	Hong Kong dollars, the lawful currency of Hong Kong
“ Hong Kong Offer Shares ”	the 1,839,600 H Shares offered by us for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus)
“ Hong Kong Public Offering ”	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus) at the Offer Price (plus brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy), on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this Prospectus
“ 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
“ Hong Kong Underwriters ”	the underwriters listed in the paragraph headed “Hong Kong Underwriters” in the section headed “Underwriting” in this Prospectus, being the underwriters of the Hong Kong Public Offering

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 14, 2023 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Overall Coordinators and the Hong Kong Underwriters, as further described in “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement”
“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
“HongShan Hanchen”	Shenzhen HongShan Hanchen Equity Investment Partnership (Limited Partnership) (深圳市紅杉瀚辰股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 29, 2019, one of our Pre-IPO Investors
“HongShan Mingde”	Beijing HongShan Mingde Equity Investment Center (Limited Partnership) (北京紅杉銘德股權投資中心(有限合夥)), a limited partnership established in the PRC on June 17, 2015, one of our Pre-IPO Investors
“HongShan Venture”	SCC Venture V-Mars (HK) Limited, a limited liability company established in Hong Kong on December 8, 2014, one of our Pre-IPO Investors and is indirectly wholly controlled by Mr. Neil Nanpeng Shen, our former Director
“HongShan Zhisheng”	Ningbo Meishan Bonded Zone HongShan Zhisheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區紅杉智盛股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 9, 2017, one of our Pre-IPO Investors
“Hubei Boheng”	Hubei Boheng Equity Investment Partnership (Limited Partnership) (湖北渤恒股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 17, 2017, one of our Pre-IPO Investors

DEFINITIONS

“Ideal Technology”	Beijing Ideal Information Technology Co., Ltd.* (北京理想信息科技有限公司), a limited liability company established in the PRC on April 17, 2000, formerly known as 長春理想科技信息有限公司 and indirectly owned as to 56.84% by our Company
“IFRS”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
“Independent Third Party(ies)”	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules
“Interested DSM”	the Directors, the Supervisors and the senior management members of the Company who are interested in any underlying Shares as disclosed in this prospectus, being Chen Yuqiang, Yu Zhonghao, Yang Qiang, Chai Yifei, Zhou Wenjing, Shao Liling, Pei Misi, Hu Shiwei, Zheng Zhao and Tu Weiwei
“International Offer Shares”	the 16,556,400 H Shares offered by our Company pursuant to the International Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus) together with any additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
“International Offering”	the offering of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this Prospectus
“International Underwriters”	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

DEFINITIONS

“International Underwriting Agreement”	the underwriting agreement relating to the International Offering expected to be entered into on or about Thursday, September 21, 2023 by our Company and the International Underwriters, as further described in the section headed “Underwriting – International Offering” in this Prospectus
“IPO”	initial public offering
“IPO App”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/ IPOApp
“Jiangsu Jiequan”	China Life (Jiangsu) Jiequan Health Industry Investment Fund (Limited Partnership) (江蘇國壽遶泉股權投資中心(有限合夥)), a limited partnership established in the PRC on December 27, 2019, one of our Pre-IPO Investors
“Jiaxing Chenyue”	Jiaxing Chenyue Equity Investment Partnership (Limited Partnership) (嘉興宸玥股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 18, 2020, one of our Pre-IPO Investors
“JIC Tech-Inv”	JIC Technology Investment Ltd. (建投華科投資股份有限公司), a joint stock limited company established in the PRC on March 1, 1995, one of our Pre-IPO Investors
“Jinshi Haofeng”	Jinshi Haofeng Equity Investment (Hangzhou) Partnership (Limited Partnership) (金石灝豐股權投資(杭州)合夥企業(有限合夥)), a limited partnership established in the PRC on October 31, 2016, one of our Pre-IPO Investors
“Jinshi Jinrui”	Jinshi Jinrui Equity Investment (Hangzhou) Partnership (Limited Partnership) (金石金汭股權投資(杭州)合夥企業(有限合夥)), a limited partnership established in the PRC on February 20, 2017, one of our Pre-IPO Investors
“Jinshi Zhiyu”	Jinshi Zhiyu Equity Investment (Hangzhou) Partnership (Limited Partnership) (金石智娛股權投資(杭州)合夥企業(有限合夥)), a limited partnership established in the PRC on October 31, 2016, one of our Pre-IPO Investors

DEFINITIONS

“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors, Supervisors and parties involved in the Global Offering” in this Prospectus
“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors, Supervisors and parties involved in the Global Offering” in this Prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors, Supervisors and parties involved in the Global Offering” in this Prospectus
“Latest Practicable Date”	September 10, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
“LF Beta”	LF Beta Limited, a limited liability company established in Hong Kong on October 23, 2017, one of our Pre-IPO Investors
“Lianxiang Yangtze River”	Hubei Province Lianxiang Yangtze River Technology Industry Fund Partnership (Limited Partnership) (湖北省聯想長江科技產業基金合夥企業(有限合夥)), a limited partnership established in the PRC on May 16, 2018, one of our Pre-IPO Investors
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, 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
“Lucent Shanghai”	Lucent (Shanghai) Investment Center (Limited Partnership) (磐信(上海)投資中心(有限合夥)), a limited partnership established in the PRC on March 24, 2016, one of our Pre-IPO Investors

DEFINITIONS

“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
“Major Awesome”	Major Awesome Limited, a limited liability company established in Hong Kong on May 10, 2021, one of our Pre-IPO Investors
“MIC Capital”	MIC Capital Management 23 RSC Ltd, a limited liability company established in the United Arab Emirates, one of our Pre-IPO Investors
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Ms. Wu”	Ms. Wu Ming (吳茗), the spouse of Dr. Dai, one of our Controlling Shareholders
“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
“NDRC”	National Development and Reform Commission of the PRC* (中華人民共和國國家發展和改革委員會)
“NIFA No. 1”	Beijing NIFA No. 1 Artificial Intelligence Technology Industry Fund Management Center (Limited Partnership) (北京中互金一號人工智能科技產業基金管理中心(有限合夥)), a limited partnership established in the PRC on April 28, 2019, one of our Pre-IPO Investors
“Ningbo Huiyuan”	Ningbo Huiyuan Venture Capital Partnership (Limited Partnership) (寧波匯原創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on February 2, 2018, one of our Pre-IPO Investors

DEFINITIONS

“Nomination Committee”	the nomination committee of the Board
“Nongwan Investment”	Nongwan (Changsha) Equity Investment Enterprise (Limited Partnership) (農灣(長沙)股權投資企業(有限合夥)), a limited partnership established in the PRC on January 17, 2017, one of our Pre-IPO Investors
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in the section headed “Structure of the Global Offering” in this Prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, with any additional H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by us to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 2,759,400 additional H Shares at the Offer Price, representing 15% of the Offer Shares initially available under the Global Offering, to cover, among other things, over-allocations in the International Offering, if any, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for lodging of applications under the Hong Kong Public Offering
“Overall Coordinators”	the overall coordinators as named in the section headed “Directors, Supervisors and parties involved in the Global Offering” in this Prospectus

DEFINITIONS

“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 Cloud”	Paradigm Cloud (Beijing) Retail Technology Co., Ltd. (範式雲(北京)零售科技有限公司), a limited liability company established in the PRC on November 6, 2019 and indirectly wholly-owned by our Company
“Paradigm Digital Software Technology”	Shanghai Paradigm Digital Software Technology Co. Ltd. (上海範式數科軟件技術有限公司), a limited liability company established in the PRC on July 19, 2022 and an indirect wholly-owned subsidiary of our Company
“Paradigm Digital Guangzhou”	Paradigm Digital Technology (Guangzhou) Co., Ltd. (範式數字科技(廣州)有限公司), a limited liability company established in the PRC on November 18, 2022 and an indirect wholly-owned subsidiary of our Company
“Paradigm Digital Hangzhou”	Paradigm Digital Technology (Hangzhou) Co., Ltd. (範式數字科技(杭州)有限公司), a limited liability company established in the PRC on December 6, 2022 and an indirect wholly-owned subsidiary of our Company
“Paradigm Digital Wuhan”	Paradigm Digital Technology (Wuhan) Co., Ltd. (範式數字科技(武漢)有限公司), a limited liability company established in the PRC on December 1, 2022 and an indirect wholly-owned subsidiary of our Company
“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

DEFINITIONS

“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 Tianqin”	Tianjin Paradigm Tianqin Management Consulting Partnership (Limited Partnership) (天津範式天琴管理諮詢合夥企業(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 Yinyuan
“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
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法)
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities
“PRC Legal Advisor”	JunHe LLP, our legal advisor as to PRC laws
“Pre-IPO Investment(s)”	the investment(s) in our Company undertaken by the Pre-IPO Investors pursuant to the respective equity transfer agreement(s) and capital increase agreement(s), details of which are set out in the section headed “History, Development and Corporate Structure” in this Prospectus

DEFINITIONS

“Pre-IPO Investor(s)”	the investor(s) from whom our Company obtained several rounds of investments, details of which are set out in the section headed “History, Development and Corporate Structure” in this Prospectus
“Price Determination Agreement”	the agreement to be entered into by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, September 21, 2023 (Hong Kong time) on which the Offer Price is determined, or such later time as our Company and the Overall Coordinators (on behalf of the Hong Kong Underwriters) may agree, but in any event not later than Wednesday, September 27, 2023
“Prospectus”	this Prospectus being issued in connection with the Hong Kong Public Offering
“Province”	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
“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
“Qiushi Xingde”	Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) (秋實興德(天津)投資中心(有限合夥)), a limited partnership established in the PRC on April 11, 2016, one of our Pre-IPO Investors
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Ruihui Haina”	Beijing Ruihui Haina Technology Industry Fund (Limited Partnership) (北京睿匯海納科技產業基金(有限合夥)), a limited partnership established in the PRC on August 28, 2017, one of our Pre-IPO Investors

DEFINITIONS

“SAFE”	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“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
“SFC”	Securities and Futures Commission of Hong Kong
“SGD”	Singapore dollars, the lawful currency of Singapore
“Shanghai-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
“Shanghai Shishuo”	Shanghai Shishuo Intelligent Technology Co., Ltd. (上海式說智能科技有限公司), a limited liability company established in the PRC on April 1, 2017 and a wholly-owned subsidiary of our Company
“Shanghai Yisahui”	Shanghai Yisahui Technology Co., Ltd.* (上海伊颯海科技有限公司), a limited liability company established in the PRC on June 9, 2021 and an indirect wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links program to be developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shenzhen
“Shenzhen Linghui”	Shenzhen Linghui Cornerstone Equity Investment Partnership (Limited Partnership) (深圳市領匯基石股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on June 25, 2018, one of our Pre-IPO Investors

DEFINITIONS

“Shenzhen Lingyu”	Shenzhen Lingyu Cornerstone Equity Investment Partnership (Limited Partnership) (深圳市領譽基石股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 26, 2016, one of our Pre-IPO Investors
“Shenzhen Songhe”	Shenzhen Songhe Growth Equity Investment Partnership (Limited Partnership) (深圳市松禾成長股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 18, 2016, one of our Pre-IPO Investors
“Sinovation Fund III”	Sinovation Fund III, L.P., a limited partnership established in the Cayman Islands on January 27, 2015, one of our Pre-IPO Investors
“Snowline Technology”	Beijing Xuexian Intelligent Technology Co., Ltd. (北京雪線智能技術有限公司), a limited liability company established in the PRC on January 18, 2019 and an indirect wholly-owned subsidiary of our Company
“Sole Sponsor”	the sole sponsor as named in the section headed “Directors, Supervisors and parties involved in the Global Offering” in this Prospectus
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stonebridge 2020”	Stonebridge 2020 (Singapore) Pte. Ltd., a limited liability company established in Singapore, one of our Pre-IPO Investors
“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
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Tibet Lingfeng”	Tibet Lingfeng Xinfu Venture Investment Partnership (Limited Partnership) (西藏領瀾鑫服創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 25, 2015, one of our Pre-IPO Investors
“Track Record Period”	the periods comprising the three financial years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the context may require
“Unlisted Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar”, “US\$” or “USD”	United States dollar, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“Value Global”	Value Global Limited, a limited liability company incorporated in Hong Kong on June 9, 2017, one of our Pre-IPO Investors
“Xinhe No. 1”	Xinhe No. 1 (Tianjin) Technology Center (Limited Partnership) (信和一號(天津)科技中心(有限合夥)), a limited partnership established in the PRC on January 26, 2021, one of our Pre-IPO Investors
“YSC Investment I”	YSC Investment I (HK) Limited, a limited liability company established in Hong Kong on January 15, 2015, one of our Pre-IPO Investors and was owned as to 100% by YSC Investment I (BVI) Ltd.

DEFINITIONS

“Zhimei Xinchuang”	Zhimei Xinchuang (Beijing) Technology Co., Ltd. (智媒新創(北京)科技有限公司), a limited liability company established in the PRC on October 27, 2020, and owned as to 70% by our Company
“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, one of our Pre-IPO Investors
“Zhongyuan Putai”	Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd. (中元普泰(北京)智能科技有限公司), a limited liability company established in the PRC on April 14, 2021 and owned as to 51% by our Company
“Zhuhai Hongmai”	Zhuhai Hongmai Enterprise Management Partnership (General Partnership) (珠海宏邁企業管理合夥企業(普通合夥)), a general partnership established in the PRC on December 15, 2020, one of our Pre-IPO Investors
“Zhuhai Jiaxun”	Zhuhai Jiaxun Equity Investment Fund Partnership (Limited Partnership) (珠海嘉勳股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on May 22, 2018, one of our Pre-IPO Investors
“Zhuhai Jinyiming”	Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鑑銘股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on March 5, 2018, one of our Pre-IPO Investors
“Zhuhai Xuren”	Zhuhai Xuren Equity Investment Fund Partnership (Limited Partnership) (珠海旭仁股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on August 16, 2018, one of our Pre-IPO Investors

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 Prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

* For identification purposes only

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this Prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

“AAAI”	the Association for the Advancement of Artificial Intelligence
“ACL”	the Association for Computational Linguistics
“ACM”	ACM International Collegiate Programming Contest, an annual multi-tiered international competitive programming competition among different universities in the world and one of the largest and most prestigious programming contests in the world
“AGV”	automated guided vehicle, automated, custom-made vehicles that are able to transport packets, materials and/or products in logistical or production factory environment
“AI”	artificial intelligence, simulation of human intelligence by machines
“AI +”	empowering industries with AI solutions
“algorithm”	a procedure of formula for solving a problem, based on conducting a sequence of specified actions
“AutoCV”	automated computer vision, the process of automating the application of computer vision to real-world problems
“AutoML”	automated machine learning, the process of automating the end-to-end process of applying machine learning to real-world problems
“AutoRL”	automated reinforcement learning, the training of machine learning models to make a sequence of decisions in a dynamic, uncertain, potentially complex environment
“CAGR”	compound annual growth rate

GLOSSARY OF TECHNICAL TERMS

“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
“computing power”	the ability of a computer to perform an operation
“CV” or “computer vision”	computer vision, a field of artificial intelligence that trains computers to interpret and understand the digital images or videos
“deep learning”	a subset of AI and machine learning that mimics the working of biological neural systems such as human brains and uses multi-layered neural networks to deliver state-of-the-art accuracy in tasks such as object detection and recognition, speech recognition and natural language processing. Deep learning differs from traditional machine learning techniques in that it can automatically learn representations from data such as images, video or text, without introducing hand-coded rules or human domain knowledge. Its highly flexible architecture can learn directly from raw data and can increase its predictive accuracy when provided with some data
“derivative-free optimization”	a discipline in mathematical optimization that does not use derivative information in the classical sense to find optimal solutions.
“enterprise AI”	AI technologies and software applied by enterprises to address their business needs and drive their digital and automation transformation
“framework”	a platform for developing software applications
“GDP”	Gross Domestic Product
“GDPR”	General Data Protection Regulation, a regulation in EU law on data protection and privacy in the European Union and the European Economic Area
“GPU”	graphic processing unit, a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images

GLOSSARY OF TECHNICAL TERMS

“heterogeneous computing”	systems that use more than one kind of processor or cores
“IaaS”	infrastructure as a service, a category of cloud computing designed to rapidly manipulate and alter memory to accelerate the creation of images
“IDE”	integrated development environment, a software application that provides comprehensive facilities to computer programmers for software development
“IT”	information technology
“KDD”	Knowledge Discovery and Data Mining
“lighthouse user”	end users of Sage Platform which are either Global Fortune 500 companies or publicly listed companies. Unless otherwise indicated, the number of lighthouse users for a given period refers to the number of lighthouse users from which we generated revenue, either directly or indirectly through solution partners, in that period
“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
“natural language processing”	a subfield of linguistics, computer science, and artificial intelligence concerned with the interactions between computers and human language, in particular how to program computers to process and analyze large amounts of natural language data
“net dollar expansion rate”	a fraction, the denominator of which is the revenue contribution from a designated group of users in the previous year of a given year and the numerator of which is the contribution from the same group of users in such given year, expressed as a percentage. For example, when calculating net dollar expansion rate of our lighthouse users in 2021, the denominator is the revenue contribution of our lighthouse users in 2020, and the numerator is the revenue contribution of such same group of lighthouse users in 2021
“NIPS”	Neural Information Processing Systems

GLOSSARY OF TECHNICAL TERMS

“number of users”	Unless otherwise indicated, the number of users for a given period refers to the number of end users of Sage Platform from which we generated revenue, either directly or indirectly through solution partners, in that period
“OCR”	optical character recognition
“PC”	personal computer, a multi-purpose computer whose size, capabilities, and price make it feasible for individual use
“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
“ROI”	return on investment
“SKU”	stock keeping unit, a distinct type of item for sale
“supervised learning”	the machine learning task of learning a function that maps an input to an output based on example input-output pairs. It infers a function from labeled training data consisting of a set of training examples
“TCO”	total cost of ownership, the purchase price of an asset plus the costs of operation
“TensorFlow”	a free and open-source software library for machine learning
“transfer learning”	a research field in machine learning that focuses on storing knowledge gained while solving one problem and applying it to a different but related problem

FORWARD-LOOKING STATEMENTS

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Prospectus contains forward-looking statements and information relating to us and our subsidiary that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would,” “vision,” “aspire,” “target,” “schedules,” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Prospectus, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

1. our operations and business prospects;
2. our ability to maintain relationship with, and the actions and developments affecting, our major customers, suppliers and subcontractors;
3. future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
4. general economic, political and business conditions in the markets in which we operate;
5. changes to the regulatory environment in the industries and markets in which we operate;
6. our ability to maintain the market leading positions;
7. the actions and developments of our competitors;
8. our ability to effectively contain costs and optimize pricing;
9. the ability of third parties to perform in accordance with contractual terms and specifications;
10. our ability to retain senior management and key personnel and recruit qualified staff;

FORWARD-LOOKING STATEMENTS

11. our business strategies and plans to achieve these strategies, including our service and geographic expansion plans;
12. our ability to defend our intellectual rights and protect confidentiality;
13. the effectiveness of our quality control systems;
14. change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
15. capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this Prospectus.

In this Prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to invest in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the market price of our H Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this Prospectus.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

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

AI technologies are constantly evolving. To remain competitive in the AI industry, we must continue to stay abreast of rapid technological developments and continuously evolving industry trends. We have invested significantly in our research and development and made other efforts in response to these constant changes, but we can make no assurance that these efforts will generate our expected return, or any return at all. Failure to cope with rapid development of AI technologies may materially and adversely affect our business, financial condition and results of operations.

AI technologies are still at a preliminary stage of development and will continue to evolve. Flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the analysis and decisions made by our solutions. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. If the recommendations, forecasts or analysis that our AI solutions assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and ethical or reputational harm. Any flaws or deficiencies in our AI technologies and solutions, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects.

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Similar to many disruptive innovations, AI technologies present risks and challenges that could affect user perception and public opinion. Any inappropriate, abusive or premature usage of AI technologies, whether actual or perceived, whether intended or inadvertent, and whether by us or by third parties, may dissuade prospective users from adopting AI solutions, may impair the general acceptance of AI solutions by the society, attract negative publicity and adversely impact our reputation. It may even violate applicable laws and regulations in China and other jurisdictions and subject us to legal or administrative proceedings, pressures from activists and/or other organizations and heightened scrutiny by regulators. Each of the foregoing events may in turn materially and adversely affect our business, financial condition and results of operations.

We have recorded net losses, net liabilities and operating cash outflow during the Track Record Period and recorded net current liabilities as of March 31, 2023, and we may not be able to achieve or subsequently maintain profitability.

In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we recorded net losses of RMB750.2 million, RMB1,802.1 million, RMB1,653.4 million, RMB268.2 million and RMB303.9 million, respectively. As of December 31, 2020, 2021, 2022 and March 31, 2023, we had recorded net liabilities of RMB1,183.0 million, RMB248.0 million, RMB1,461.0 million and RMB1,828.9 million, respectively. We also recorded net current liabilities of RMB3,430.1 million as of March 31, 2023. In addition, we have recorded net cash used in operating activities of RMB452.9 million, RMB770.0 million, RMB779.6 million, RMB169.4 million and RMB461.2 million in 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, respectively. We believe that our future abilities to achieve profitability and generate positive operating cashflow will depend on, among other factors, our ability to develop new technologies, enhance user experience, establish effective monetization strategies, compete effectively and successfully, and continuously grow our user base and revenues in a cost-effective way by improving our operational efficiency. Moreover, our ability to obtain additional capital in the future, however, is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry and macro-economic and other conditions in China and globally. If we cannot obtain sufficient capital to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected. Accordingly, you should not rely on our historical results of operations as an indication of our future performance. We also expect our costs and expenses to significantly increase in future periods as we continue to expand our business and operations. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenues and manage our costs and expenses, we may continue to incur significant losses in the future and our net losses may increase compared to prior years, and we may not be able to achieve or subsequently maintain profitability.

RISK FACTORS

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

Our future success depends heavily on continuing efforts of our senior management, many of whom are difficult to replace. In particular, we rely on the expertise, experience and vision of our senior management, as well as other members of our senior management team. We normally enter into a four-year or non-fixed term employment contract with our senior management members. If any of our senior management becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily, or at all. As a result, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.

Additionally, our future success also depends on our ability to attract, recruit and train a large number of qualified employees and retain existing key employees. In particular, we rely on our top-notch research and development team to develop our advanced technologies and solutions, and our experienced sales personnel to maintain relationships with our customers. In order to compete for talents, we may need to offer higher compensation, better training and more attractive career opportunities and other benefits to our employees, which may be costly and burdensome. We cannot assure you that we will be able to attract or retain qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

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

The industries in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new solutions, continual shifts in users demands and constant emergence of new industry standards and practices. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to constantly anticipate the emergence of new technologies and assess their market acceptance. To remain competitive, we must continue to stay abreast of the continuously evolving industry trends and rapid technological developments. We have invested and intend to continue investing significant resources in technologies to enhance our solutions. Nevertheless, we may not be able to leverage new technologies effectively or adapt our solutions to meet user needs or emerging industry standards, and our technology approach might not align with our future development plans or even become obsolete if we are unable

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to adapt in a cost-effective and timely manner to changing market conditions, whether for technical, legal, financial or other reasons. Our success will depend partially on our ability to continuously identify, develop, acquire, protect or license advanced and new technologies that are valuable to our solutions and services. Failure to do so could render our existing solutions and services obsolete and unappealing, thereby adversely affecting our business prospects.

Moreover, uncertainties regarding the timing and nature of the development of AI solutions or technologies, or modifications to existing solutions or technologies, could increase our research and development expenses. Any failure to deliver effective results by our solutions could reduce the demand for our solutions, result in user dissatisfaction, and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results.

We have achieved tremendous growth during the Track Record Period. Our total revenue increased by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, and further by 52.7% to RMB3,082.6 million in 2022. Our revenue increased by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our growth rates may decline for a number of reasons, including China's overall economic growth, the ongoing digitalization of China's economy, technology development of the AI industry, accumulation of AI experts in China, awareness of enterprises to deploy AI applications, our investment in technology innovation and AI solutions, our ability to attract and retain our users, our ability to create value for users with our innovative enterprise AI solutions, our ability to manage our costs and enhance operating leverage. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies. If the market for our solutions does not develop as we expect or if we fail to address the needs of this dynamic market, our business, results of operations and financial condition will be materially and adversely affected.

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

Our technological capabilities and infrastructure are critical to our success. We have been investing heavily in our research and development efforts. Our research and development expenses increased from RMB565.7 million in 2020 to RMB1,249.5 million in 2021 and further to RMB1,650.0 million in 2022, representing 60.0%, 61.9% and 53.5% of our total revenues in 2020, 2021 and 2022, respectively. Our research and development expenses increased from RMB225.7 million for the three months ended March 31, 2022 to RMB241.5 million for the three months ended March 31, 2023, representing 46.8% and 37.5% of our total revenue during the same periods, respectively. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in research and development to lead technological advancement in order to make our solutions innovative and competitive in the market. As a result, we expect that our research and development expenses will continue to increase in absolute amount. We have incurred losses in the past and may not be able to achieve or subsequently maintain profitability, partially due to the significant investment in research and development. In 2020, 2021, 2022 and the three months ended

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March 31, 2022 and 2023, we recorded losses of RMB750.2 million, RMB1,802.1 million, RMB1,653.4 million, RMB268.2 million and RMB303.9 million, respectively. Furthermore, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. Our significant expenditures on research and development may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to develop, we may not be able to timely upgrade our technologies in a cost-effective and timely manner, or at all. New technologies in our industries could render our technologies, our technological infrastructure or solutions that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related research and development costs, which could result in a decline in our revenues, profitability and market share.

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

Our ability to retain existing customers, attract new customers, as well as increase the spending by our customers depends on a number of factors, including our ability to offer more intelligent solutions that address the needs of our customers at competitive prices, the strength of our technologies and the effectiveness of our sales and marketing efforts. Our Sage Platform and applications are primarily offered through software license and sale of SageOne, rather than on a recurring subscription basis. As a result, we may not be able to effectively retain our users after the initial sale. Our users may purchase additional licenses from us for additional computing power as they develop more AI applications for new use cases and/or increase usage in existing use cases which require more computing power on our platform. However there is no assurance that our users will repurchase from us within a short period of time, or at all. As a result, we may fail to retain our existing users. If we fail to retain existing customers or attract new customers, we may not be able to increase our revenue as quickly as we anticipate, or at all.

As we have been and will continue expanding our customer base and diversifying industry verticals that we cover, we may fail to provide users with solutions that meet their specific demands, and we may fail to provide customer support to the level expected by our users. Such failures could result in user dissatisfaction, decreased overall demand for our solutions and loss of expected revenue. In addition, our inability to meet customer service expectations may damage our reputation and could consequently limit our ability to retain existing customers and attract new customers, which would materially and adversely affect our business and the results of operations.

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

In recent years, government authorities across the world have been increasingly focusing on privacy and data protection. Particularly in China, the substantial base of our business operations, the PRC government has enacted a series of laws and regulations on the protection of personally identifiable data in the past few years. We may be subject to laws and regulations regarding privacy and data protection in China and other areas and jurisdictions. In addition, as our users expand their footprints globally, they may leverage our solutions in other countries or territories outside China and are thus required to comply with laws and regulations regarding privacy and data protection in such jurisdictions. As a result, we may be required to upgrade our solutions to help them comply with such laws and regulations. Up to the Latest Practicable Date, we had not been subject to any enquiry, investigation, notice, inspection, action or penalty from the PRC authorities or any other relevant regulatory bodies in relation to our compliance with privacy and data protection laws and regulations.

We have adopted various measures to ensure legal compliance. See “Business – Data Privacy and Security” for more information. However, the laws and regulations regarding privacy and data protection in China, as well as in other jurisdictions, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the effectiveness of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the then-applicable laws and regulations, or to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential users from using our solutions and could subject us to significant legal, financial and operational consequences.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law, which has become effective on 1 September 2021. The PRC Data Security Law provides for data security obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data processing activities which may affect national security and imposes export restrictions on certain data and information. Furthermore, certain PRC regulatory authorities issued Opinion on Severely Punishing Illegal Activities in Securities Market, which were available to the public on July 6, 2021, further emphasized to strengthen cross-border regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and

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confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and archive management relating to the offering and listing of securities abroad, to implement the responsibility on information security of companies listed in foreign countries, and to strengthen the standardized management of cross-border information provision mechanisms and procedures. However, these opinions were newly issued, and there were no further explanations or detailed rules or regulations with respect to such opinions, and there are still uncertainties regarding the interpretation and implementation of these opinions. On July 7, 2022, CAC promulgated the Measures on Data Export Security Assessment (《數據出境安全評估辦法》), which came into effect on September 1, 2022. Such Measures on Data Export Security Assessment requires data processors to apply for a security assessment on data export in one of the following scenarios:

- (1) where a data processor provides critical data abroad;
- (2) where a critical information infrastructure operator or a data processor who processes the personal information of one million or more individuals transfers such personal information abroad;
- (3) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year; and
- (4) other circumstances prescribed by the CAC for which declaration for security assessment for outbound data transfers is required. According to our self-assessment, up to the Latest Practicable Date, we believe neither of the above threshold applies to us, and we did not trigger the government security assessment under the Measures on Data Export Security Assessment.

On November 14, 2021, the CAC released the Network Data Security Management Regulations (Draft for Comment) (the “**Draft Regulations**”) (《網絡數據安全管理條例(徵求意見稿)》). The Draft Regulations stipulates several requirements for entities who process data through Internet within PRC, including data processor (i) shall be responsible for the security of the data it processed and shall undertake data protection obligation; and (ii) shall establish comprehensive data protection system and technical protection mechanism. At present, the Draft Regulations had only been released for consultation purposes, and several detail requirements are newly included in the Draft Regulations, as such there still remain uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects. We will closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Drafted Regulation is formally promulgated. Even if we endeavor to comply with relevant laws and regulations, we may not always be able to do so due to a lack of detailed implementation rules by relevant government authorities. In addition, some provisions under certain laws and regulations still remain principle and lack specific interpretation up to data especially to a specific case scenario. These uncertainties may have material adverse impact on our business operation and financial results.

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On December 28, 2021, the CAC, and 12 other relevant PRC government authorities published the amended Cybersecurity Review Measures, which became effective on February 15, 2022 and superseded and replaced the current Cybersecurity Review Measures previously promulgated on April 13, 2020. The Cybersecurity Review Measures provide that (i) data processors which carry out data processing activities and (ii) any “operator of critical information infrastructure” which purchase network solutions or services to conduct cybersecurity review if they will affect or may affect national security. In addition, the relevant PRC governmental authorities may initiate cybersecurity review if they determine certain network products, services, or data processing activities affect or may affect national security. There can be no assurance if we are required to follow the cybersecurity review procedures, and if so, whether we would be able to complete the applicable cybersecurity review procedures in a timely manner. In addition, any failure or delay in the completion of the cybersecurity review procedures or any other noncompliance or perceived noncompliance with the PRC Cybersecurity Law or related regulations may prevent us from using or providing certain network solutions and services, and may result in fines or other penalties such as making certain required rectification, suspending our related business, closing our website or taking down our operations and reputational damages or proceedings or actions against us by PRC regulatory authorities, customers or others, which may have a material adverse effect on our business, operation or financial conditions.

These and other similar legal and regulatory developments could lead to legal and economic uncertainties, affect how we design our IT systems, how we operate our business, how we and our business partners process data, which could negatively impact demand for our solutions. For example, on July 10, 2023, the CAC, consented by NDRC, Ministry of Education, Ministry of Science and Technology, MIIT, Ministry of Public Security, National Radio and Television Administration, promulgated the Provisional Administrative Measures for Generative Artificial Intelligence Services (生成式人工智能服務管理暫行辦法) (“Generative Artificial Intelligence Services Measures”), effective on August 15, 2023. The Generative Artificial Intelligence Services Measures impose compliance requirements for providers of generative AI services to the general public within the territory of PRC. The Generative Artificial Intelligence Services Measures provide, among other things, that the provider of generative AI services of text, image, audio or video to the general public shall (i) assume the responsibilities as the producers of the AI-generated content thereon, and (ii) any provider of generative artificial intelligence services with attribute of public opinions or capable of social mobilization shall conduct security assessment in accordance with the relevant regulations, and complete the formalities for algorithm filing, change or deregistration in accordance with Provisions on the Administration of Algorithm-generated Recommendations for Internet Information Services (互聯網信息服務算法推薦管理規定). On the basis that our SageGPT is only provided to enterprises but not to the general public, our PRC Legal Advisor is of the view that, based on the textual interpretation of the Generative Artificial Intelligence Services Measures, it may be unlikely that we would be required to apply for security assessment or complete the formalities of algorithms filing, change or deregistration procedure. With our PRC Legal Advisor’s view as mentioned above, we are of the view that the Generative Artificial Intelligence Services Measures will not have a material adverse impact on our current and future business operations and financial performance. Nevertheless, there can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our PRC Legal Advisor, and it is also possible that the PRC government authorities may require us to apply for security assessment or complete the filing, change or deregistration formalities of algorithms for other reasons.

We may incur substantial costs to comply with such laws and regulations, to meet the demands of our users relating to their own compliance with applicable laws and regulations and to establish and maintain internal compliance policies.

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

Our operations may be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. For example, the U.S. government has imposed export controls and economic sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may negatively affect our and our technology partners' abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations.

Effective March 2, 2023, the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") added certain entities to the entity list (the "Entity List"), including "4Paradigm Technology Co., Ltd." with aliases "4Paradigm," "4th Paradigm," and "Fourth Paradigm". The address of such entity was provided as "Building 1, No. 66 Qinghe Middle Street, Haidian District, Beijing, China." Out of an abundance of caution and unless or until we receive further clarification from BIS, we will assume that all entities located at the address provided in the Entity List are subject to the Entity List restrictions in order to comply with relevant restrictions. These entities specifically include: Beijing Fourth Paradigm Technology Co., Ltd., Fourth Paradigm (Beijing) Data & Technology Co., Ltd., Beijing Paradigm Empowerment Enterprise Management Co., Ltd., Beijing Xuexian Intelligent Technology Co., Ltd., Beijing Yuntian Xinrui Technology Co., Ltd., Beijing Future Paradigm Technology Co., Ltd., Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd., and Zhimei Xinchuang (Beijing) Technology Co., Ltd. (the "Listed Entities"). However, it is possible that not all Listed Entities are subject to the restrictions. For more details of these entities, see "History, Development and Corporate Structure – Our Principal Subsidiaries" and Note 1 to the Accountant's Report in Appendix I to this Prospectus.

The addition of the Listed Entities to the Entity List restricts the ability of those specific entities, but not of legally distinct entities, such as subsidiaries or affiliates of the Listed Entities, to purchase, acquire, or otherwise obtain any items subject to the Export Administration Regulations, 15 C.F.R. Parts 730-774 ("EAR") without a license from BIS. Specifically, absent a license from BIS, it is prohibited to export, reexport, or transfer any items subject to the EAR when any Listed Entity is a party to the transaction, including as purchaser, intermediate consignee, ultimate consignee, or end-user. That is, even if the Listed Entity is not the intended end user of the item(s) involved, the restrictions would still apply to the extent the Listed Entity is the purchaser or otherwise involved in a given transaction. License applications to the Listed Entities will be reviewed with a presumption of denial for all items subject to the EAR. For further information, see "Regulatory Overview – U.S. Export Control Laws and Regulations." For detailed analysis on the Entity List addition, please see "Business – U.S. Export Control Laws and Regulations."

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To address the EAR-related risks after the addition to the Entity List, we have adopted a series of export control compliance measures for the entire Group, in abundance of caution. We have developed and are implementing an export control compliance program, focused on screening of suppliers and customers, monitoring and review of items that are subject to the EAR and employee training. For further information, see “Business – U.S. Export Control Laws and Regulations.” However, there can be no assurance that our export control compliance measures or program can be strictly followed and implemented, or that the implementation of such export control compliance measures or program would be sufficient for us to address concerns under the EAR. Failure to comply with the EAR could lead to regulatory investigations, civil penalties and negatively affect our relationship with our suppliers, which, in turn, could negatively affect our business operations.

Given the complexity of the U.S. Export Administration Regulations and level of information required for an exporter, reexporter, or transferor (within China) to determine whether an item is subject to U.S. law, there may be a non-compliance on the part of suppliers that might supply us goods incorporating controlled U.S.-origin content (in excess of the EAR’s de minimis threshold) or that are the foreign-produced direct product of U.S. technology or software, or are produced by a plant or major component of a plant that itself is a direct product of specified technology or software. Because the EAR asserts liability broadly to include parties acting with knowledge or reason to know a violation has occurred, will occur, or is likely to occur, there is a risk that we could be subject to a potential BIS investigation, enforcement action, or civil monetary penalties if our suppliers fail to comply with the EAR.

The Entity List designation could have a negative impact on our reputation with U.S. regulators, businesses, and banking institutions. We believe there is a risk some business partners, particularly those in the United States or with significant exposure in the United States, might refuse to engage in certain business with us for a variety of reasons, including over-compliance with or misunderstanding of the legal effect of the Entity List designation, an inability to determine whether items being sold are subject to U.S. law, de-risking (particularly among western financial institutions), and reputational concerns. As of the date of this Prospectus, none of our material investors, customers, or suppliers have withdrawn their investment, ceased doing business with us due to the BIS Entity List designation, or notified us in writing or otherwise of their intention to do so.

Our relationships with suppliers may evolve in the future, and there can be no assurance that we will maintain our access to all items that are necessary to our business. Furthermore, as technologies continue to advance, third parties may offer new technologies or products that could enhance our technology infrastructure or solutions. To the extent that any product or technology we currently use becomes subject to the EAR or any such new technologies or products are subject to the EAR, the Listed Entities would not be able to access them if they remain on the Entity List by then at that time, unless the exporter obtains a license from BIS (which is subject to a licensing review policy of denial). There can be no assurance that the Listed Entities would be able to identify alternative supply chain arrangements to access similar technologies or products of the same quality at similar cost, and we may encounter increased supplier scrutiny due to the addition to the Entity List. As such, if the Listed Entities remain on the Entity List on a prolonged basis, our business, results of operations and financial condition could be negatively affected.

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There is no assurance whether the Entity List designation will be expanded to additional entities of our Group, or we will be subject to any economic sanctions, such as the Non-SDN Chinese Military-Industrial Complex Companies (“NS-CMIC”) List which prohibits U.S. persons (companies and individuals) from purchasing or selling certain publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities of entities on the NS-CMIC list. As of the Date of this Prospectus, we have not been added to the NS-CMIC List, and the Entity List designation has not been expanded to additional entities of our Group. Despite that we believe designation of the Listed Entities to the Entity List should not have a material impact on the business or operations of our Group, if, in addition to the Listed Entities, other subsidiaries of our Group, or if the entire Group were to become targeted by economic sanctions and/or export control restrictions, this may result in interruptions of our business and reputational harm to us.

For another example, on August 9, the U.S. President Joe Biden signed an executive order on “Addressing United States Investments In Certain National Security Technologies And Products In Countries Of Concern” (the “EO”) and U.S. Department of Treasury issued an Advance Notice of Proposed Rulemaking (the “ANPRM”) seeking public comment related to the implementation of the executive order, providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau, involving certain technologies, including AI. No detailed rules have yet been proposed, and there are no currently effective restrictions or notification requirements. As proposed in the ANPRM, the U.S. Department of Treasury intends to (i) prohibit U.S. investments into covered foreign persons engaged in the development of software that incorporates an AI system and is designed to be exclusively (or primarily) used for military, government intelligence, or mass-surveillance end uses (the “Proposed Prohibited End Uses”), and (ii) require U.S. persons to notify the U.S. Department of Treasury if undertaking a transaction with a covered foreign person engaged in the development of software that incorporates an artificial intelligence system and is designed to be exclusively (or primarily) used for: cybersecurity applications, digital forensics tools, and penetration testing tools; the control of robotic systems; surreptitious listening devices that can intercept live conversations without the consent of the parties involved; non-cooperative location tracking (including international mobile subscriber identity (IMSI) Catchers and automatic license plate readers); or facial recognition (the “Proposed Notifiable End Uses”). As our AI solutions are primarily used to empower enterprises with AI development and management capabilities, and enables them to design, develop, and operate AI applications at scale, and our AI applications are primarily used in areas including sales and marketing, risk management and operating efficiency enhancement, we do not believe that our products would fall into the Proposed Prohibited End Uses or the Proposed Notifiable End Uses or that we would be categorized as a “covered foreign person” when the final implementation rules are adopted by the Treasury. In addition, the ANPRM proposes to exclude from the definition of “covered transaction” certain “excepted transactions,” including a passive investment into a publicly traded security. However, if the final implementing rules expand the scope of the covered technologies and products to restrict transactions by U.S. persons with us or narrows the scope of “excepted transactions”, or if any similar or more expansive restrictions imposed by the U.S. or other jurisdictions are adopted in the future, our financing and business activities will be adversely affected, and our business operations and financial conditions will be impacted as a result.

RISK FACTORS

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

With respect to each industry vertical that we have entered into, we compete against existing players in such verticals, such as certain leading technology companies, non-AI enterprise solution providers and/or non-platform-centric AI decision-making market participants. We may also in the future face competition from new market entrants. Such new entrants may include better-established technology companies that possess substantial financial resources, sophisticated technological capabilities and broad distribution channels. Furthermore, we may face competition from global technology companies that seek to enter the China market, whether independently or through formation of strategic alliances with, or acquisition of, AI companies in China. Increased competition could result in lower sales, price reductions, reduced margins and loss of market share. In addition, we may be compelled to make substantial additional investments in research and development, marketing and sales in order to respond to such competitive threats, and we cannot assure you that such measures will be effective. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations could be adversely affected.

If the market for our solutions fails to grow as we expect, or if our users or potential users fail to adopt our solutions, our business, operating results, and financial condition could be adversely affected.

It is difficult to predict user adoption rates and demand for our AI solutions, the entry of competitive solutions, or the future growth rate and size of the AI industry. Although the demand for data management, machine learning, analytics platforms and applications has been growing in recent years, the market for these platforms and applications continues to evolve. We cannot be sure that the AI industry in China demand will continue to grow or, even if it does grow, that businesses will adopt our solutions. Our future success will depend in large part on our ability to further penetrate the markets where we operate. Our ability to further penetrate such markets depends on a number of factors, including the cost, performance and perceived value associated with our AI solutions, as well as users' willingness to adopt our AI solutions. We have spent, and intend to keep spending, considerable resources to educate potential users about AI in general and our solutions in particular. However, we cannot be sure that these expenditures will help our solutions achieve any additional market acceptance. Furthermore, potential users may be unwilling to invest in novel solutions. If the market fails to grow or grows slower than we expect or enterprises fail to adopt our AI solutions, our business, operating results and financial condition could be adversely affected.

RISK FACTORS

Our brands are integral to our success. If we fail to effectively maintain, promote and enhance our brands, our business and competitive advantages may be harmed.

We believe that maintaining, promoting and enhancing our key brands, including but not limited to “4Paradigm” and “4Paradigm Sage”, is critical to our business. Maintaining and enhancing our brands depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative AI solutions, which we cannot assure you we will do successfully.

We believe the importance of brands recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful AI solutions at competitive prices, successful promotion of our brands will also depend on the effectiveness of our marketing efforts. We market our AI solutions through our direct sales force, solution partners, as well as customers and users’ word-of-mouth referrals. Our efforts to market our brand have incurred significant costs and expenses and we intend to continue such efforts. We cannot assure you, however, that our selling and marketing expenses will lead to increases in revenue, and even if they do, such increases in revenue may not be sufficient to offset the expenses incurred.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense.

Our results of operations may fluctuate, in part, because of the complexity of user problems that our AI solutions address, the resource-intensive nature of our sales efforts, the length and variability of the sales cycle of our solutions, and the difficulty in making short-term adjustments to our operating expenses. Our sales cycle primarily consists of initial communications with users, project evaluation and design, proof of concept and contracts execution. As we primarily focus on providing services to large-scale lighthouse users, we may spend significant time in communications with users, project evaluation and design, thereby resulting in longer sales cycles. Our sales cycles are difficult to predict. The length of our sales cycle is typically a few months on average can vary substantially from customer to customer and can extend over one year for some customers. According to CIC, such long sales cycle is consistent with industry norm of the decision-making AI market in China. Our sales efforts involve educating our users about the usage, technical capabilities and benefits of our AI solutions. Users often undertake a prolonged evaluation process, which frequently involves not only our AI solutions but also those of other companies.

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In addition, the size of potential users may lead to longer sales cycles. Our go-to-market strategy starts with market leaders in each industry we target to enter, who are also early adopters of AI. Sales to such large users involve risks that may not exist or that exist but to a lesser extent in sales cycles of smaller entities, such as longer sales cycles, more complex user requirements (and higher contractual risk as a result), substantial upfront sales costs, less favorable terms and less predictability in completing some of our sales. For instance, we invest resources into sales to large organizations, which typically undertake a significant evaluation and negotiation process due to their leverage, size, organizational structure and approval requirements, all of which may lengthen our sales cycle. We may also need to provide more complicated deployment of our AI solutions or face unexpected deployment challenges with large organizations. Moreover, large enterprise users often deploy our solutions on a limited basis at the beginning, but nevertheless demand configuration, integration services and price negotiations, which increase our upfront investment in the sales effort with no guarantee that these users will deploy our solutions widely enough across their organization to justify our substantial upfront investment. We may incur substantial expenses, time and efforts on sales to large organizations without any assurance that these users will deploy our AI solutions widely enough across their organization, or at all, to justify our substantial upfront investment. As a result, it is difficult to predict exactly when, if ever, we will make a sale to a potential customer or increase sales to our existing customers.

If we are unable to ensure compatibility of our solutions with a variety of hardware and software platforms and software applications developed by others, including our partners, we may become less competitive and our results of operations may be harmed.

Our AI solutions may be integrated with a variety of hardware and software platforms and software applications, and we need to modify and enhance our AI solutions to adapt to changes in hardware and software technologies in a timely and cost-effective manner. Compatibility of our solutions and hardware and software developed by others is critical to the performance of our solutions. Failure to ensure compatibility of our solutions may negatively affect our competitive edge, and our business results of operations and financial condition would be harmed.

Changes in the market or our solutions may affect our pricing models and adversely affect our operating results.

Our pricing models face challenges from evolving market changes. As the market for our solutions grows, as our competitors introduce new solutions that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. Given our limited operating history and limited experience with our historical pricing models, we may not be able to accurately predict customer renewal or retention. In addition, regardless of the pricing model used, certain customers may demand higher price discounts. As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our revenue, gross margin, profitability, financial position and cash flow.

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If our expansion into new verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.

Leveraging our leading position in the enterprise AI solution market and our core technologies, we are able to provide innovative AI-empowered solutions to address diversified needs of our users across different verticals. We have a track record of successfully expanding into new verticals. We cannot assure you, however, that we will be able to maintain this momentum in the future. Expanding into new verticals involves new risks and challenges. Unfamiliarity with new verticals may make it more difficult for us to keep pace with evolving user demands and preferences. In addition, there may be one or more existing market leaders in any vertical that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that vertical as well as their deeper industry insight and greater brand recognition. We could be subject to additional regulatory restrictions that are relevant to these businesses. Expansion into any new vertical may place significant strain on our management and resources, and failure to expand successfully could have a material adverse effect on our business and prospects.

Our investments or acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have made investments and acquisitions in recent years in companies such as our acquisitions of Guangzhou Jianxin and Ideal Technology during the Track Record Period. See “History, Development and Corporate Structure – Major Acquisitions and Investments.” We expect to continue to evaluate and consider a wide array of investment and acquisition opportunities that we believe can extend and solidify our leading market position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties in integrating the acquired personnel, operations, solutions and/or services into our operations;
- potential issues with technology, internal controls and financial reporting of the companies we acquire;
- disruptions of our ongoing business, distractions of the attention of our management and employees and increase of our expenses;
- loss of skilled professionals and established client relationships of the businesses we invest in or acquire;
- for investments over which we do not obtain management and operational control, lack of influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investments;

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- new regulatory requirements and compliance risks that we become subject to as a result of investments or acquisitions in new industries or otherwise;
- actual or alleged misconduct or noncompliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;
- compliance matters including the antimonopoly and competition laws, rules and regulations of the PRC and other countries in connection with any proposed investments and acquisitions;
- the risk that any of our pending or other future proposed investments or acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;
- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- the occurrence of significant goodwill impairment charges and amortization expenses for other intangible assets; and
- uncertainties in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

Rumors or negative publicity involving our Company, our solutions, our management, our customers, our business partners or our industry in general may materially and adversely affect our reputation, business, results of operations and growth prospects.

Negative publicity involving our industry, our Company, our solutions, our management, our customers or our business partners in the future may also materially and adversely harm our business and reputation. Although we made efforts to strengthen our responsiveness to negative publicity events, we cannot preclude media reports of a similar nature or similar allegations from other parties from being made in the future, nor can we assure you that we will be able to defuse such negative publicity to the satisfaction of our investors, customers and business partners or prevent related misconception and other damages caused by such reports. We may have to incur significant expenses and divert our management's time and attention in order to remedy the effects of these negative reports or allegations, which may materially and adversely affect our results of operations.

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If we fail to obtain and maintain the requisite licenses and approvals required under the regulatory environment applicable to our business, or if we are required to take actions that are time consuming or costly in order to obtain and maintain such licenses and approvals, our business, financial condition and results of operations may be materially and adversely affected.

Under the current PRC regulatory scheme, a number of governmental authorities, including but not limited to the MIIT, MPS, CAC, jointly regulate major aspects of our industries.

As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we have obtained all the requisite licenses and made all the requisite filings with competent governmental authorities that are material to the operation of the business we engage in China. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. The interpretation and implementation of existing and future laws and regulations governing our business activities may change from time to time in the future. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the revenue that was generated through the affected operations, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Export control and economic or trade restrictions that were imposed on our business partners may affect our business, financial conditions and results of operations.

In recent years, the U.S. government imposed targeted economic and trade restrictions on a number of Chinese companies and institutions that limit their access to U.S.-origin goods, software and technologies (collectively, “**Items**”), as well as items that contain a significant portion of certain U.S.-origin Items or are a direct product of certain U.S.-origin Items. While we have conducted business with some of these entities, we have no reasons to believe that we have violated the imposed restrictions because we do not export, re-export, or transfer any U.S.-origin products, technology, components or software that are subject to the Export Administration Regulations to any entities listed on the U.S. Commerce Department’s Entity List. We also believe there is limited impact resulting from such restrictions on our business. Furthermore, our transactions with these listed entities have represented a negligible portion of our results of operations.

However, U.S. export controls and trade laws and regulations are complex and likely subject to frequent changes, and the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by political and/or other factors that are not within our control or that are heightened by national security concerns. For example, the U.S. government has tightened certain chip shipments to China. For another example, the PRC government has recently imposed a sales ban on a U.S. memory chip supplier in China. We did

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not purchase directly from this company during the Track Record Period. If any potential restrictions, any associated inquiries or investigations, or any other government actions occur, they may be difficult or costly to comply with and may, among other things, delay or impede the development of our technology and solutions, and hinder the stability of our supply chain. They could also result in negative publicity, require significant time and attention of the management and subject us to fines, penalties or orders that we cease or modify our existing business practices, if they occur. Any of these events may have an adverse effect on our business, financial condition and results of operations.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial condition and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

Uncertainties and changes in government policies in respect of the industries in which we operate may negatively affect our business, financial condition and results of operations.

Our growth depends in part on government spending and favorable government policies in respect of the industries in which we operate. However, such policies may be subject to changes that are beyond our control. There can be no assurance that government policies will continue. Uncertainties and changes in such policies may have a material adverse impact on our business, financial condition and results of operations.

We are subject to credit risk related to defaults of customers, and any significant default on our receivables could materially and adversely affect our liquidity, financial condition and results of operations.

We are exposed to credit risk related to defaults of our customers. As of December 31, 2020, 2021, 2022 and March 31, 2023, our trade receivables amounted to RMB262.7 million, RMB778.3 million, RMB1,493.2 million and RMB1,494.0 million, respectively. We may not be able to collect all such trade receivables due to a variety of factors that are beyond our control. For example, if the relationship between us and any of our customers is terminated or deteriorated, or if any of our customers experience financial difficulties in settling the trade receivables, our corresponding trade receivables recoverability might be adversely affected. As the amount of provisions made on our trade receivables are recorded as expenses on our results

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of operations, if we are not able to effectively manage the credit risk associated with our trade receivables, our results of operations may be materially and adversely affected. Moreover, we usually grant a credit term ranging from 3 to 6 months, whereas our suppliers, especially the new suppliers, usually grant us shorter credit terms. This mismatch in credit terms may increase our liquidity risks from time to time.

We are subject to risks and uncertainties associated with our investments in associates and joint ventures.

We have invested in associated companies and joint ventures and may continue to do so in the future. The performance of such associates and joint ventures has affected, and will continue to affect, our results of operations and financial position. Our investments in associates and joint ventures, recorded as investments accounted for using the equity method, which amounted to RMB86.6 million, RMB115.2 million, RMB45.9 million and RMB45.2 million, respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023. Our investments in associates and joint ventures are subject to liquidity risk. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow until dividends are received even if the associates or joint ventures reported profits under the equity method of accounting. Furthermore, our ability to promptly sell one or more of our interests in our associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates and joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates. The success of an associate or a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from such associates and joint ventures, such as receiving dividends from them.

We are exposed to changes in the fair value of our financial assets, especially with respect to fair value measurements for certain of our financial assets that involve the use of unobservable inputs.

Our results of operations are affected by changes in the fair value of our financial assets. As of December 31, 2020, 2021, 2022 and March 31, 2023, our financial assets at fair value through profit or loss were RMB195.3 million, RMB2,781.9 million, RMB1,808.1 million and RMB1,092.0 million, respectively. In 2020, 2021, 2022 and the three month ended March 31, 2022 and 2023, the amount of fair value change on financial assets at fair value through profit or loss recognized was RMB18.4 million, RMB85.0 million, RMB51.4 million, RMB18.0 million and RMB8.6 million, respectively. There can be no assurance that we will recognize fair value gains from financial assets in the future. Furthermore, our financial assets include

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wealth management products, fund investments and unlisted equity securities, which were issued by licensed financial institutions with unguaranteed return of principal and can be redeemed on demand at our discretion. As such, we are subject to credit risk arising from such wealth management products.

Fair value measurements for certain of our financial assets and financial liabilities are categorized into Level 3, which involve the use of unobservable inputs. As a result, Level 3 fair value measurements require us to apply significant estimates and assumptions with respect to the relevant financial assets.

We recognized significant goodwill and other intangible assets during the Track Record Period and may incur significant impairment charges related to these intangible assets, and our results of operation may be adversely affected as a result.

As of December 31, 2020, 2021, 2022 and March 31, 2023, we had intangible assets of RMB19.9 million, RMB395.4 million, RMB457.3 million and RMB448.1 million, respectively, of which goodwill amounted to nil, RMB259.7 million, RMB335.8 million and RMB335.8 million, respectively. Due to the frequent changes and development in technology, the assumptions we used in estimating the cash flow generated from our intangible assets may change, and the estimated useful life of our intangible assets might also be subject to significant uncertainty. If any significant changes were to occur, we may incur impairment charges for our intangible assets, and if any significant impairment charges were made, our results of operations may be negatively affected.

In addition, our equity investments and acquired businesses may not generate the financial results we expect. They could result in the occurrence of significant investments and goodwill impairment charges, as well as amortization expenses for other intangible assets. We periodically review goodwill and investments for impairment. If we conclude that any of these equity investments and acquired businesses are impaired, we will write down the asset to its fair value and take a corresponding charge to our consolidated statements of comprehensive income. As a result, our results of operations may be negatively affected.

We face inventory obsolescence, shortage or excess risks.

Our inventory mainly includes finished goods, which primarily consist of the servers of our “All-in-One” solutions, and contract fulfillment cost in relation to our deployment services. We face inventory obsolescence risks primarily with regard to the finished goods. As of December 31, 2020, 2021 and 2022 and March 31, 2023, we had inventories of RMB28.2 million, RMB184.5 million, RMB349.9 million and RMB408.4 million, respectively, of which finished goods accounted for RMB3.2 million, RMB20.6 million, RMB99.4 million and RMB86.0 million, respectively. We are exposed to inventory obsolescence and inventory shortage risks as a result of a variety of factors beyond our control, including, changes of user needs and the inherent uncertainty of the success of solution launches. As a result of unforeseen or sudden events, we may experience slow movement of our inventories, fail to utilize or sell our inventories swiftly, or face the risk of inventory obsolescence, and our business, results of operations, financial condition and prospects may be adversely affected.

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If we cannot fulfill our obligations in respect of contract liabilities, the amount of fee collecting from customers and our liquidity position may be adversely impacted.

As of December 31, 2020, 2021, 2022 and March 31, 2023, we had contract liabilities of RMB77.1 million, RMB173.9 million, RMB325.7 million and RMB342.6 million, respectively. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services are yet to be provided. If we cannot fulfill our obligations under these contracts, the amount of fee collecting from customers and our liquidity position may be adversely impacted.

We may be subject to impairment losses on prepayments and other receivables.

As of December 31, 2020, 2021, 2022 and March 31, 2023, we recorded prepayments and other receivables of RMB170.0 million, RMB272.0 million, RMB380.1 million and RMB388.7 million, respectively. Our prepayments and other receivables primarily represent our prepayments to suppliers, deductible value-added input tax, rental, bidding and other deposits, other receivable from a third party customer, and interest receivables. We may be subject to impairment losses on prepayments and other receivables if the actual recoverability of prepayments and other receivables is lower than the expected level, which could adversely affect our cash flow and our ability to meet our working capital requirements, thereby adversely affecting our business, financial condition and results of operations.

We have no control over the amount of government economic incentives that we receive.

Similar to many other companies in our industry, we benefit from government economic incentives. We recognized government grants of RMB18.5 million, RMB5.2 million, RMB5.3 million, RMB0.3 million and RMB1.1 million as other income in 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, respectively. However, the timing, amount and conditions of government economic incentives are within the sole discretion of governmental authorities. In addition, governmental authorities may require us to perform certain contractual obligations before we could receive government subsidies. However, there can be no assurance that we could fully satisfy these conditions or perform such obligations, and it is possible that such governmental authorities may stop subsidizing us. Any reduction, elimination, repayment or other negative trend in economic incentives resulting from our failure to perform such obligations could adversely affect our business, financial condition, results of operations and prospects.

Our business operations could be harmed by real or perceived material defects or errors in our solutions.

The technology underlying our AI solutions is inherently complex and may contain material defects or errors, particularly when new solutions are first introduced, when new features or capabilities are released or when integrated with new or updated third-party hardware or software. There can be no assurance that our existing AI solutions will not contain defects or errors. Any real or perceived errors, failures, vulnerabilities, or bugs in our AI solutions could result in negative publicity or lead to performance issues, all of which could

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harm our business. Correcting such defects or errors may be costly and time consuming. Moreover, the harm to our reputation and legal liability related to such real or perceived defects or errors may be substantial and would harm our business.

If the data used by our users are out of date, inaccurate or lacking credible information, the performance of our AI solutions will be adversely affected, which could adversely impact our business.

Low quality or inaccurate data could materially affect the performance of our solutions. We cannot ensure the accuracy and timeliness of the various sources of data that our users use in utilizing our AI solutions for various reasons. For example, the information available to our users may be limited. As a result, the data labels may be out of date, inaccurate or lacking credible information. In such events, our solutions may not be able to generate satisfactory results. Consequently, there may be negative conceptions about our solutions and services, which could adversely affect our reputation, business operations and financial performance.

Our use of open-source technology could impose limitations on our business operations.

We use open-source software in some of our platform and expect to continue to use open-source software in the future. Although we monitor our use of open-source software to avoid subjecting our software to conditions we do not intend to be bound, we may face allegations from others alleging ownership of, or seeking to enforce the terms of, an open-source license, including by demanding release of the open-source software, derivative works, or our proprietary source code that was developed using such software. These allegations could also result in litigation. The terms of many open source licenses have not been interpreted by courts. There is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our software and platform. In such an event, we may be required to seek licenses from third parties to continue commercially offering our software, to make our proprietary code generally available in source code form, to re-engineer our software or to discontinue the sale of our software if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business and revenue.

To address risks relating to our utilization of open-source software, such as risks of allegations of the ownership of open-source license, we have established an Open Source Review Board, who leads the formulation and implementation of a series of internal management protocols regarding utilization of open source software. Measures in such internal protocols includes, without limitation: (i) before utilize any open-source software, performing prudent assessment for open-source software to ensure such software is properly licensed and our expected usage scope of such software is within the authorization of license, so that we can mitigate the risks relating to allegations of the ownership of open-source license; (ii) strictly monitoring the utilization of open-source software to manage the license and codes thereof and ensure the compliance with open source authorizations; and (iii) inspecting the deliverable software that we developed with open-source software and replacing or amending any open-source components if there are risks in compliance with open-source licenses.

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The use of open-source software subjects us to a number of other risks and challenges. Open-source software is subject to further development or modification by anyone. Others may develop such software to compete with us, or render such software no longer useful. It is also possible for competitors to develop their own solutions and services using open-source software, potentially reducing the demand for our solutions and services. With regard to the potential competition from open-source software developed by others, we believe our core capabilities that empower us in the competition lie in our self-developed solutions, which merely involve open-source software in certain basic service support that is not comparable to our core technologies. Therefore, we manage such competition risks primarily by focusing on our own development and technologies. If we are unable to successfully address these challenges, our business and operating results may be adversely affected, and our development costs may increase.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyberattacks. Our reputation, business and results of operations may be harmed by service disruptions or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.

Our technology infrastructure is supported by servers in geographically dispersed data centers across China, including various locations Beijing and Inner Mongolia, that are fault-tolerant, which ensures the high reliability of our platform. We believe that we could relocate these physical servers to new properties without material disruption to our business, because we have made data backup in our servers in Beijing, which enables recovery of our system within a few hours in the event of any disruptions to, including relocations of these physical servers. Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our technology infrastructure may be vulnerable to damage or interruption caused by telecommunication failures, power loss, human error or other accidents. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability of our solutions. It may be difficult for us to respond to such interruptions in a timely manner, or at all. Such interruptions may affect the ability of users to use our solutions, which would damage our reputation, reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead our users to seek alternative solutions.

Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes and other natural disasters, power loss and telecommunications failures. Any network interruption or inadequacy that causes interruptions to our operations, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our user satisfaction, which in turn could adversely affect our reputation, business and financial condition.

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We depend on third party business partners in our business operations. Such arrangements reduce our control over the quality, development, and deployment of our solutions and could harm our business.

We engage third parties in our business operations. We procure certain hardware components from third party vendors. We also outsource certain non-core and less sophisticated research and development projects as well as deployment of our solutions to third party vendors. Such arrangements may reduce our direct control over the quality, development and deployment of our solutions. We may experience operational difficulties with our third party vendors, including reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control and failures to meet deployment schedules. Our third party vendors may experience disruptions in their operations due to equipment breakdowns, labor strikes or shortages, natural disasters, material shortages, cost increases, environmental noncompliance issues or other similar problems. In addition, we may not be able to renew contracts with our third party vendors or identify substitute partners. Although arrangements with these vendors may contain provisions for warranty expense reimbursement, we may remain responsible to the customer for warranty service in certain events. Any failure of our third party vendors to perform their responsibilities or to be in compliance with all applicable laws and regulations may have a material negative impact on our business.

Our exchange, return and warranty policies may adversely affect our results of operations.

Our policy allows solutions with defects to be returned and exchanged by our customers. In addition, we offer a limited warranty for our solutions or purchase a limited warranty for our customers from the third party vendors who supply certain components for hardware products of our AI solutions. Warranty coverage typically runs for one to five years from the time of purchase, depending on the solution. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. These policies improve user experience and promote user loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

We are exposed to the risks associated with doing business internationally.

As we plan to expand our operations to additional overseas markets and regions, we may have to adapt our business models to the local market due to various legal requirements and market conditions. Our international operations and expansion efforts may result in increased costs and are subject to a variety of risks, including increased competition, uncertain enforcement of our intellectual property rights, unfamiliar market conditions and the complexity of compliance with Chinese and foreign laws and regulations.

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We also could be significantly affected by other risks associated with international activities including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Sales of our solutions in foreign countries could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. We are also exposed to credit and collectability risk on our trade receivables with customers in certain international markets. There can be no assurance that we can effectively limit our credit risk and avoid losses.

The COVID-19 pandemic presents challenges to our business and the effects of the pandemic could adversely affect our business, financial condition and results of operations.

The COVID-19 pandemic and any recurrence or continuance of the outbreak could adversely impact our business operations or the business operations of our customers and partners thus in turn having an adverse impact on our business, results of operations and financial condition.

Our business operations could be disrupted if any of our employees is suspected of having these or any other epidemic disease, since it could require our employees to be quarantined and/or our offices to be closed for disinfection or other remedial measures. There remain uncertainties about potential continuing impacts on subsequent periods. To the extent the global spread of COVID-19 and deterioration cannot be contained, the risks and uncertainties set forth in this Prospectus may be exacerbated or accelerated at a heightened level. For more detailed discussion of the impact of COVID-19 on our business operations, see “Financial Information – Impact of COVID-19.”

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent the disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology and knowhow. Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

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Unauthorized use of our intellectual properties by third parties may harm our brands and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business.

We regard our copyrights, trademarks, trade secrets and other intellectual properties as critical to our success and rely on a combination of trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. Although our contracts with our business partners prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources and could disrupt our business, as well as materially and adversely affect our financial condition and results of operations.

We have designed and adopted strict internal procedures to ensure the adequate protection of our intellectual property rights, including but not limited to, patents, copyrights, proprietary technologies, trade secrets and trademarks. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements. In addition, our legal department is responsible for obtaining any requisite governmental pre-approvals or consent, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines and ensuring all necessary application, renewals or filings for trademark, copyright and patent registration have been timely made to the competent authorities. See “Business – Risk Management and Internal Control – Compliance and Intellectual Property Risk Management.” Regarding management of risks relating to third-party vendors whom we engage for certain non-core and unsophisticated development projects, we take various measures to ensure our proprietary technologies and other intellectual properties are adequately protected, including but not limited to: (i) performing due diligence on the third-party vendors before we engage them and including relevant intellectual properties terms in contracts to prevent any risks and issues with intellectual properties beforehand; (ii) formulating and implementing confidentiality policies with respect to our cooperation with third-party vendors to prevent leaks of our proprietary technologies and trade secrets; and (iii) implementing the same management standard on product components provided by third parties as those developed by us, and including relevant contract terms to mitigate our risks arising from such third-parties’ usage of open-source software.

RISK FACTORS

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our customers, divert customers away from our solutions or harm our reputation.

Competitors and other third parties may register trademarks or purchase internet search engine keywords or domain names that are similar to ours, in order to divert potential customers from our platforms to theirs. Preventing such unfair competition activities is inherently difficult. If we are unable to prevent such activities, competitors and other third parties may drive potential customers away from our platforms, which could harm our reputation and materially and adversely affect our results of operations.

We may be subject to intellectual property infringement claims, which could be time consuming or costly to defend and may result in diversion of our financial and management resources, and indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights or other intellectual property rights held by third parties. We may from time to time be subject to such proceedings and claims. We cannot assure you that holders of patents purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents against us in China or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and may change from time to time in the future, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against such infringement or licensing allegations and claims is costly and time consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or an injunctive relief was issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

Further, our agreements with customers and other third parties generally include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, or other liabilities relating to or arising from our software, services or other contractual obligations. Large indemnity payments could harm our business, results of operations and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, generally, those limitations may not be fully enforceable in all situations, and we may still incur

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substantial liability under those agreements. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems comprising organizational framework policies and procedures, financial reporting processes, compliance rules and risk management measures we believe are appropriate for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. See “Business – Risk Management and Internal Control” for further information on our internal control policies. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may be the subject of anticompetitive, harassing or other detrimental conducts by third parties that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anticompetitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted online by anyone, whether or not related to us. The availability of information on social media is virtually immediate, as is its impact. Social media immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Such information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

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Misconduct and omissions by our employees or business partners could harm our business and reputation.

Misconduct and omissions by our employees could subject us to liability or negative publicity. Although we have implemented strict human resources risk management policies, and we have in place an employee handbook approved by our management and distributed to all our employees that contains broad internal rules and guidelines and cover areas such as best commercial practices, work ethics, fraud prevention mechanisms and regulatory compliance, there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and results of operations.

Misconduct by our business partners could subject us to disruption of business, negative publicity or liability. Although we maintain strict standards in choosing our business partners, we cannot assure you our business partners providers will not engage in misconducts or omissions. Any misconduct by our business partners may affect our operations and reputation, which may in turn affect our business, results of operations and financial condition.

Noncompliance of third parties involved in our business could adversely affect our business.

Our business partners, including our various suppliers and customers, as well as other third parties who have entered into business relationships with our business partners, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third parties have infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any noncompliance by third parties. We cannot assure you that we will be able to identify irregularities or noncompliances in the business practices of our business partners or other third parties, or that such irregularities or noncompliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted a share incentive plan for the benefit of our employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see "Appendix VI – Statutory and General Information – Further Information about Our Directors, Supervisors, Senior Management and Substantial Shareholders – 5. Employee Incentive Scheme." In 2020, 2021 and 2022, we incurred share-based compensation of RMB173.7 million, RMB603.6 million and RMB433.4 million, respectively. We did not incur share-based compensation for the three months ended March 31, 2023. To further incentivize our employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares

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with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may be involved in legal proceedings and commercial disputes, which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to claims and various legal and administrative proceedings, and, as a result, penalties and new claims may arise in the future. In addition, agreements we entered into sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party.

Regardless of the merit of particular claims, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into new or further licensing agreements or other arrangements to settle litigation and resolve such disputes. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal or administrative proceedings pending or threatened against us or any of our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, new legal or administrative proceedings and claims may arise in the future and the current legal or administrative proceedings and claims we face are subject to inherent uncertainties. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our solutions, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our financial condition and operating results. For further details regarding our legal proceedings and compliance matters, see the sections headed "Business – Legal Proceedings and Compliance" and "Business – Licenses and Permits."

We are subject to strict regulatory requirements in labor-related laws and regulations of the PRC.

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, that became effective in January 2008 and was amended in December 2012 and its implementing rules that became effective in September 2008, employers are subject to stricter requirements in terms of

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signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. We believe our current practice complies with the Labor Contract Law and its amendments. However, the relevant governmental authorities may take a different view and impose fines on us. We also procure that subsidiaries we acquired comply with applicable labor-related laws and regulations. Failure to do so may result in fines or other penalties by government authorities.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practice could inadvertently violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Certain of the lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.

As of the Latest Practicable Date, ten of our leased properties for our business operations in China have not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with relevant PRC government authorities does not affect the effectiveness of the lease agreements, but the relevant PRC government authorities may order us to, within a prescribed time limit, register the lease agreements. Failure to do so may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. We estimate that the aggregate maximum amount of penalties for not registering such lease agreements would be RMB100,000. As of the Latest Practicable Date, we had not been ordered by any PRC government authorities to register any lease agreements.

Failure to renew our current leases at reasonable terms or to locate desirable alternatives for our offices and facilities could materially and adversely affect our business and results of operations.

We may not be able to successfully extend or renew such leases upon the expiration of the current term on commercially reasonable terms, or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties.

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In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow, and failure in relocating our affected operations could adversely affect our business and operations.

Turmoil in the banking industry may lead to market-wide liquidity issues and could in turn negatively impact our business, results of operations and financial condition.

Turmoil in the banking industry, such as the March 2023 failures of Silicon Valley Bank and Signature Bank, may lead to market-wide liquidity problems and negatively impact our business. Such failure of banks, government responses and resulting investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, such as higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, making it more difficult for us or our customers to acquire financing. Although we do not have deposits at risk at any of the financial institutions with liquidity or solvency issues, such market-wide liquidity issues could adversely impact our and our customers' financial capability, which could negatively affect our financial position and business growth.

Our limited insurance coverage could expose us to significant costs and business disruption.

We believe we maintain insurance policies in line with industry standards. We do not maintain business interruption insurance, key-man life insurance or litigation insurance. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. If such risk materializes, we may also suffer substantial losses as we do not have insurance coverage.

We face risks related to natural disasters, health epidemics and other outbreaks of contagious diseases.

Our business could be adversely affected by natural disasters or outbreaks of epidemics. These natural disasters, outbreaks of contagious diseases and other adverse public health developments in any market where we operate could severely disrupt our business operations by damaging our network infrastructure or information technology system or impacting the productivity of our workforce, which may adversely affect our financial condition and results of operations.

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RISKS RELATED TO DOING BUSINESS IN THE PRC

Adverse changes in economic, political and social conditions, could have a material adverse effect on our business and prospects.

Substantially all of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. If the macro-economy condition experiences significant adverse changes due to any of the foregoing reasons, demand for our solutions and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. With the development of the foreign exchange market and progress towards interest rate liberalization and renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the renminbi will not appreciate or depreciate significantly in value against other currencies in the future. It is difficult to predict how market forces or relevant government policies may impact the exchange rate between the renminbi and other currencies in the future.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

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Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

Currently, the conversion and remittance of foreign currencies from RMB are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, the foreign exchange policies regarding payment of dividends in foreign currencies may change from time to time in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

Policies on foreign investment in the PRC may adversely affect our business and results of operations.

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed to additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》), the “Negative List”) issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our main business in China does not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards. Also, as the Negative List may be updated from time to time in the future. If we cannot obtain approval from relevant approval authorities to engage in a business in China that becomes prohibited or restricted for foreign investors, we may need to sell or restructure our business which has become restricted or prohibited for foreign investment. If we need to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

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If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

Operating in the high-technology and software industry, we enjoy various types of preferential tax treatment according to the prevailing mainland Chinese tax laws. Our mainland Chinese entities may, if they meet the relevant requirements, qualify for three main types of preferential treatment, which are high- and new-technology enterprises especially supported by mainland China, software enterprises and key software enterprises within the scope of the mainland Chinese national plan.

For a qualified high- and new-technology enterprises, the applicable enterprise income tax rate is 15%. The high- and new-technology enterprise qualification is reassessed by the relevant authorities every three years. Moreover, a qualified software enterprise is entitled to a tax holiday consisting of a two-year tax exemption beginning with the first profit-making calendar year and a 50% tax reduction for the subsequent three years. The software enterprise qualification is subject to an annual assessment. If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our results of operations. See the section headed “Financial Information – Description of Key Statement of Comprehensive Income Items – Taxation – PRC.”

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, PRC tax laws and regulations may be adjusted from time to time. For example, under the Individual Income Tax Law of the People’s Republic of China (the “IIT Law”) (《中華人民共和國個人所得稅法》), which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals who have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC individual income tax at progressive rates on their income gained within or outside the PRC. The Standing Committee of NPC has approved the amendment of the IIT Law, which became effective on January 1, 2019. Under the amended IIT law, foreign nationals who have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year would be subject to PRC individual income tax on their income gained within or outside the PRC. Our ability to attract and retain highly skilled foreign scientists and research personnel to work in China may

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be materially affected by such tax regulations, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. The PRC tax laws and regulations may change from time to time in the future and may also have an adverse effect on our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the ITT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the ITT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H

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Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, the PRC tax laws and regulations as well as the interpretation and application of such laws and regulations may change from time to time in the future which may adversely affect the value of your investment in our H Shares.

It may be difficult to effect service of process upon us or our Directors, Supervisor or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

All of our executive Directors, Supervisors and executive officers reside within China, and substantially all of our assets are located within China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for investors to effect service of process upon us or our executive Directors, Supervisors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the Global Offering. The Offer Price is the result of negotiations between our Company, the Overall Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our H Shares will be traded following completion of the Global Offering. The market price of our H Shares may drop below the Offer Price at any time after completion of the Global Offering.

RISK FACTORS

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

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the Global Offering may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

You will incur immediate and substantial dilution if the Offer Price of the Offer Shares is higher than the net tangible asset value per H Share and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per H Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers

RISK FACTORS

of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Our Controlling Shareholders have significant influence over us and their interests may not always be aligned with the interest of our other Shareholders.

Immediately upon the completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, Dr. Dai, Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, our Controlling Shareholders, will collectively control approximately 38.84% of the voting power at our general meetings. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit, for which the PRC laws do not specify the applicable accounting principles. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. We may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Our PRC Legal Advisor is of the view that after making up losses and appropriation of statutory reserves, we may distribute after-tax profits.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which may significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our

RISK FACTORS

subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

There will be a gap of several days between pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Certain statistics contained in this Prospectus are derived from a third-party report, and are not independently verified by us. There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert report, contained in this Prospectus.

This Prospectus, particularly the section headed “Industry Overview,” contains information and statistics relating to the artificial intelligence industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Capital Market Intermediaries, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

RISK FACTORS

You should read the entire Prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this Prospectus, there has been press and media coverage regarding us, our business, our industry and the Global Offering. There may be additional media coverage regarding us, our business, our industry and the Global Offering subsequent to the date of this Prospectus but prior to the completion of the Global Offering. Such press and media coverage may include references to certain information that does not appear in this Prospectus, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the Global Offering has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Prospectus, we disclaim responsibility for it and you should not rely on such information.

We plan to conduct the offering and listing of A shares at an appropriate time after the Global Offering, but there is no assurance that we will conduct such an A share offering, and the characteristics of the A share and H share markets are different.

We plan to conduct the offering and listing of A shares at an appropriate time after the Global Offering, but there is no assurance that we will conduct such an A share offering, and the characteristics of the A share and H share markets are different. As of the Latest Practicable Date, we have not determined the size and scope of the contemplated A share offering and have not made any application to any recognized stock exchange in the PRC for approval for the listing of any A shares. There is no assurance we will conduct such an A share offering. If we do not complete the planned A share listing within a specific timeline, certain of our Pre-IPO Investors who hold Domestic Shares may be entitled to exercise their Domestic Share Divestment Rights. For details, see “History, Development and Corporate Structure – The A Share Listing” and “History, Development and Corporate Structure – Rights of the Pre-IPO Investors”. If an A share offering is conducted by us in the future, following the Global Offering and the proposed A share offering, our H Shares will be traded on the Hong Kong Stock Exchange and our A Shares will be traded on the A Share market. Under current PRC laws and regulations, without approval from relevant regulatory authorities, H Shares and A shares are neither interchangeable nor fungible, and there is no trading settlement between the H share and A share markets. The H share and A share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading price of H Shares and A shares may not be the same. Moreover, fluctuations in A share price may affect H Share price, and vice versa. Prospective investors should therefore not place undue reliance on the planned offering and listing of A shares in the future when evaluating an investment in our H Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors (including any proposed Director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,839,600 Offer Shares and the International Offering of initially 16,556,400 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed “Structure of the Global Offering” in this Prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Thursday, September 21, 2023. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed “Underwriting” in this Prospectus.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus and the **GREEN** Application Form, and any information or representation not contained herein and therein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinator, the Joint Bookrunners, Capital Market Intermediaries, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus and in the **GREEN** Application Form.

INFORMATION ON THE CONVERSION OF UNLISTED SHARES INTO H SHARES

The Company has applied for conversion of 115,246,250 Unlisted Shares held by HongShan Venture, Guoxin Qidi, Purui Tianjin, Beijing Innovation, Zhongyi Equity Fund, Sinovation Fund III, Ruihui Haina, NIFA No. 1, Value Global, Shanghai Saixin Business Consulting Management Center (Limited Partnership), Guangxi Tencent Venture Capital Co., Ltd., Hangzhou Fantong, Hubei Boheng, Guangzhou Yuexiu Emerging Industry Phase II Investment Fund Partnership (Limited Partnership), GS Asia II, Zhuhai Zhongyu Investment Enterprise (Limited Partnership), Guangkong Zhongying, Fangyuan Chuangying, Haitong International Investment, Jiaxing Chenyue, Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Investment Fund Partnership (Limited Partnership), Cisco China, Stonebridge 2020, Growing Fame, Guangzhou Yuexiu Nuocheng No. 8 Industrial Investment Partnership (Limited Partnership), CITIC Construction Investment, Ningbo Huiyuan, Dongkong Jinlong, and LF Beta. Please refer to the sections headed “History, Development and Corporate Structure” and “Share Capital” for details of the Shareholders and their interests in the Company and the relevant procedures for conversion of Unlisted Shares into H Shares. Such H Shares to be converted from the Unlisted Shares are restricted from trading for a period of one year after the Listing. The Company has received the filing notice from the CSRC dated July 3, 2023 in relation to the filing of the conversion of the Unlisted Shares.

CSRC FILING

According to the Overseas Listing Trial Measures, we are required to complete the filing procedures with the CSRC in connection with the proposed Listing. The Company has received the filing notice from the CSRC dated July 3, 2023 in relation to the filing of the proposed Listing.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this Prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Unlisted Shares.

Dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, September 28, 2023. No part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this Prospectus. All the Offer Shares will be registered on our H Share register of members in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinator, the Joint Bookrunners, the Capital Market Intermediaries, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out under the sections headed “Underwriting” and “Structure of the Global Offering” in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

H SHARE REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. See “Statutory and General Information – Other Information – Taxation of Holders of H Share” in Appendix VI. Investors should seek professional tax advice for further details of Hong Kong stamp duty.

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our H Share register of members in Hong Kong, by ordinary post, at the Shareholders’ risk in Hong Kong dollars.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Overseas Listing Trial Measures and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we act for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;
- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not Associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus and on the **GREEN** Application Form.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations among certain amounts denominated in RMB, Hong Kong dollars and USD. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between RMB and USD were made at the rate of RMB7.21500 to US\$1.00, being the PBOC rate prevailing on September 8, 2023 (being the most recent published exchange rate prior to the Latest Practicable Date), (ii) the translations between Hong Kong dollars and RMB were made at the rate of RMB0.92064 to HK\$1.00, being the PBOC rate prevailing on September 8, 2023; and (iii) the translations between US dollars and Hong Kong dollars were made at the rate of HK\$7.83694 to US\$1.00. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this Prospectus has been derived from official government publications and other sources, including information or data provided by China Insights Consultancy. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. While reasonable caution has been made in the process of reproducing the data and statistics extracted from such official government publications or other sources, the Sole Sponsor and our Company, or any of their directors, employees, agents, and representatives make no representation to the appropriateness, accuracy, completeness or reliability of any such statistical and market share information.

WAIVERS

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our headquarters are based, and most of the business operations of our Company and our subsidiaries are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play very important roles in our Company's business operations, it is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing our executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

- (1) We have appointed Mr. Yu Zhonghao and Ms. Yeung Siu Wai Kitty as our authorized representatives (“**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
- (2) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

WAIVERS

- (3) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period;
- (4) We have appointed Guotai Junan Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will have access at all times to our Authorized Representatives, our Directors and our senior management, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available; and
- (5) We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers and email addresses of at least two of the Compliance Advisor’s officers who will act as our Compliance Advisor’s contact persons between the Hong Kong Stock Exchange and our Company.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

WAIVERS

- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Xiong Fei (熊飛) (“**Mr. Xiong**”), our vice president, as one of our joint company secretaries. He has extensive experience in financing and investment services but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Yeung Siu Wai Kitty (“**Ms. Yeung**”), who is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Xiong for an initial period of three years from the Listing Date to enable Mr. Xiong to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Xiong does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Xiong may be appointed as a joint company secretary of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time (“**Waiver Period**”) and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 (“**Qualified Person**”) and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Yeung will work closely with Mr. Xiong to jointly discharge the duties and responsibilities as company secretary and assist Mr. Xiong in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Yeung will also assist Mr. Xiong in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Yeung is expected to work closely with Mr. Xiong and will maintain regular contact with Mr. Xiong, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Ms. Yeung ceases to provide assistance to Mr. Xiong as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Xiong will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing. Mr. Xiong will also be assisted by (a) Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

WAIVERS

Before the expiration of the initial three-year period, the qualifications of Mr. Xiong will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Xiong, having benefited from the assistance of Ms. Yeung for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RELATION TO BUSINESS ACQUIRED AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver of Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

- (a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;
- (b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (c) (i) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rule 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or

WAIVERS

- (ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, “unduly burdensome” will be assessed based on each new applicant’s specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target’s books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

Background of the acquisition

Data Element Equity Interest Subscription

In April 2023, 4Paradigm Technology entered into a subscription agreement (the “**Subscription Agreement**”) with Beijing Data Element Intelligent Technology Co., Ltd. (北京數據項素智能科技有限公司) (“**Data Element**”), a limited liability company established in the PRC, pursuant to which we agree to subscribe for the increased registered capital in Data Element in an aggregate amount of RMB3,333,333 at a consideration of RMB15 million, representing approximately 25.0% equity interest in Data Element immediately after the subscription (the “**Data Element Equity Interest Subscription**”).

The registration with the relevant Administration for Market Registration was completed on April 27, 2023, and the expected date of settlement of consideration in respect of the Data Element Equity Interest Subscription is to be agreed among the parties.

To the best knowledge of our Directors, Data Element and its ultimate beneficial owners are Independent Third Parties. The total consideration payable by us in the Data Element Equity Interest Subscription was determined through arm’s length negotiation and with reference to the preliminary series of pre-IPO financing valuation of comparable companies which engage in big data and document processing businesses as well as Data Element’s funding needs.

Our Directors considered that the Data Element Equity Interest Subscription is on normal commercial terms, fair and reasonable and in the interest of our Company and the Shareholders as a whole.

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Data Element was founded in 2022 and is principally engaged in offering intelligent document processing solutions and products with self-developed content processing and analysis engine for corporate customers in finance, government, retail and manufacturing sectors. Our Company believes that there is potential business prospect of Data Element because there is a growing need for enterprises to utilize intelligent document processing tools in enhancing operational efficiencies, and Data Element is a good match to our long term strategic business plan.

According to the unaudited management accounts of Data Element, (i) its total assets amounted to approximately RMB3.5 million as at December 31, 2022, and (ii) its net loss before and after tax was approximately RMB1.1 million for the year ended December 31, 2022.

Conditions to the waiver granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Data Element Equity Interest Subscription on the following grounds:

(a) Immateriality

Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios in relation to the Data Element Equity Interest Subscription are below 5% by reference to the most recent audited financial year of the Track Record Period. We consider the Data Element Equity Interest Subscription to be immaterial in the context of our Company's operations as a whole and therefore a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential investors' assessment of our business and future prospects when considering an investment in our Company.

(b) Acquisition of minority interests only and absence of control

As mentioned above, we only acquired approximately 25.0% equity interest in Data Element after the Data Element Equity Interest Subscription. As is typical for minority investments, we will not be able to control a majority of its board of directors of Data Element, and will not be involved in the daily management of Data Element. In addition, Data Element has its independent management and operations team, in which our Group has no participation. Data Element will not be treated as our Company's subsidiary upon completion of the Data Element Equity Interest Subscription as we will not control Data Element. As Data Element will not become subsidiary of our Company, its financial information will not be consolidated into our Company's financial information.

(c) Impracticality and undue burden

As (i) we only acquired minority interest in Data Element after the Data Element Equity Interest Subscription, and will not control Data Element, and (ii) Data Element will not be consolidated into our financial information, we are unable to provide our reporting accountant with full access to the financial record of Data Element in order to fully familiarize with the accounting policies of Data Element and to gather and compile the necessary financial information and supporting documents to prepare the financial information of Data Element in strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules. As such, it would be impracticable and unduly burdensome for us to disclose the financial information of Data Element in the Prospectus in strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Dai Wenyuan (戴文淵)	Room 903, Unit 2, Building 6 Block 3, Poly Xishan Linyu Heilongtan Road Haidian District, Beijing PRC	Chinese
Mr. Chen Yuqiang (陳雨強)	Room 1301, Unit 4, Level 13 Building 3 West District Qinghe Jiayuan Haidian District, Beijing PRC	Chinese
Mr. Yu Zhonghao (于中灝)	No. 1001 10 Dengshikou Avenue East Dongcheng District, Beijing PRC	Chinese
Non-Executive Directors		
Dr. Yang Qiang (楊強)	Flat H, 23/F, Block 5 East Point City 8 Chung Wa Road Tseung Kwan O, New Territories Hong Kong	Chinese
Mr. Dou Shuai (竇帥)	Room 2205, Building 1 Beijing Palm Springs International Apartment No. 8, Chaoyang Park South Road Chaoyang District, Beijing PRC	Chinese
Mr. Zhang Jing (張晶)	Flat 6, 25/F, Block 3 11 Hoi Fan Road Hampton Place Tai Kok Tsui Kowloon Hong Kong	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Non-Executive Directors

Mr. Li Jianbin (李建濱)	2101, Unit 1, Building No.2 Wanxiangfu, Oak Bay Phase 5 Haidian District, Beijing PRC	Chinese
Mr. Liu Chijin (劉持金)	H2 Liying Road Lixi Garden, 16 Tianzhu Kaifa Street Shunyi District, Beijing PRC	American
Ms. Ke Yele (柯燁樂)	Flat B, 11/F Tower 1 Central Park 18 Hoi Ting Road Kowloon Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Chai Yifei (柴亦飛)	Room 701, No. 10, Lane 59 Pingyang Road, Minhang District Shanghai PRC	Chinese
Ms. Zhou Wenjing (周文靜)	16, Level 2, Building No. 2 Anhui Dongli Chaoyang District, Beijing PRC	Chinese
Ms. Shao Liling (邵麗玲)	Room 2802, Unit 2, Level 18, 5 Chaoyang Road Chaoyang District, Beijing PRC	Chinese

For details with respect to our Directors and Supervisors, see the section headed “Directors, Supervisors and Senior Management” in this Prospectus.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING**Sole Sponsor**

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Joint Global Coordinators, Sponsor-
Overall Coordinator, Overall
Coordinator, Joint Bookrunners,
Joint Lead Managers and Capital
Market Intermediaries**

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Joint Global Coordinators, Overall
Coordinators, Joint Bookrunners,
Joint Lead Managers and
Capital Market Intermediaries**

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

**China Merchants Securities (HK) Co.,
Limited**
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

**Joint Bookrunners and Capital
Market Intermediaries**

**Huatai Financial Holdings (Hong Kong)
Limited**
62/F, The Center
99 Queen's Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

ABCI CAPITAL LIMITED
11/F, Agricultural Bank of China Tower
50 Connaught Road
Central
Hong Kong

BOCOM International Securities Limited
9/F Man Yee Building
68 Des Voeux Road
Central
Hong Kong

CEB International Capital Corporation Limited
22/F AIA Central
No. 1 Connaught Road
Central
Hong Kong

China Everbright Securities (HK) Limited
33/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Central China International Capital Limited
Suites 1505-1508, Two Exchange Square
8 Connaught Place
Central
Hong Kong

North Beta International Securities Limited
Unit 2002, 20/F One IFC
One Harbour View Street
Central
Hong Kong

China Sunrise Securities (International) Limited
Unit 4502, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F, United Centre
No. 95 Queensway
Hong Kong

CNCB (Hong Kong) Capital Limited
10/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Lead Managers and Capital
Market Intermediaries**

Orient Securities (Hong Kong) Limited
28th and 29th Floor
100 Queen's Road Central
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy, 1 Hennessy Road
Hong Kong

Fosun International Securities Limited
Suite 2101-2105 21/F Champion Tower
3 Garden Road
Central
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, FWD Financial Centre
308 Des Voeux Road
Central
Hong Kong

Valuable Capital Limited
RM 3601-06 & 3617-19
36/F China Merchants Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

Riche Bright Securities Limited
Office 2, 7/F, AT Tower
180 Electric Road, North Point
Hong Kong

Legal Advisors to our Company

As to Hong Kong law and United States law

Davis Polk & Wardwell
10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

As to PRC law

JunHe LLP
26/F, HKRI Centre One
HKRI Taikoo Hui 288 Shimen Road (No. 1)
Shanghai
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to U.S. export control law

Jacobson Burton Kelley PLLC
1725 I Street, NW
Suite 300
Washington, DC 20006
U.S.

**Legal Advisors to the Sole Sponsor and
the Underwriters**

As to Hong Kong law and United States law

O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices
12-14th Floor, China World Office 2,
No.1 Jianguomenwai Avenue
Beijing, PRC

**Reporting Accountant and
Independent Auditor**

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

Industry Consultant

**China Insights Industry Consultancy
Limited**
10F, Block B
Jing'an International Center
88 Puji Road, Jing'an District
Shanghai
PRC

Receiving Bank

**Industrial and Commercial Bank of China
(Asia) Limited**
33/F, ICBC Tower
3 Garden Road, Central
Hong Kong

CORPORATE INFORMATION

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	No. L01301-1, Level 13 Building 1, No. 66 Qinghe Middle Street Haidian District, Beijing PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company's Website	<u>www.4paradigm.com</u> <i>(The information contained in this website does not form part of this Prospectus)</i>
Joint Company Secretaries	Mr. Xiong Fei (熊飛) Room 1103, Unit 1, Building 1 Xiangshuwan III, Qinghe Town Haidian District, Beijing PRC Ms. Yeung Siu Wai Kitty (楊小慧) <i>(ACG, HKACG)</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized Representatives	Mr. Yu Zhonghao (于中灝) Room 1001, Building 10 East Dengshi Dongkou Avenue Dongcheng District, Beijing PRC Ms. Yeung Siu Wai Kitty (楊小慧) <i>(ACG, HKACG)</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Li Jianbin (李建濱) (<i>Chairman</i>) Mr. Liu Chijin (劉持金) Dr. Yang Qiang (楊強)
Remuneration Committee	Ms. Ke Yele (柯燁樂) (<i>Chairlady</i>) Dr. Yang Qiang (楊強) Mr. Li Jianbin (李建濱)
Nomination Committee	Dr. Dai Wenyuan (戴文淵) (<i>Chairman</i>) Mr. Liu Chijin (劉持金) Mr. Li Jianbin (李建濱)
Compliance Advisor	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
H Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Banks	China Merchants Bank, Haidian Branch No. 56, North 4th Ring Road West Beijing, PRC Industrial and Commercial Bank of China, Haidian West District Branch No. 65, North 4th Ring Road West Beijing, PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by CIC. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Global Coordinators, Overall Coordinator, Sole Sponsor, Joint Bookrunners, Capital Market Intermediaries, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

RAPID DEVELOPMENT OF ARTIFICIAL INTELLIGENCE INDUSTRY

Artificial intelligence is reaching its tipping point of large scale adoption

Artificial intelligence (“AI”) represents a wide-ranging technology that reshapes how human beings integrate information, analyze data, and derive insights to improve efficiency and optimize decision-making with the help from machines. After years of development and field tests, AI has turned into an increasingly adopted technology empowering a variety of sectors, restructuring certain industry landscapes as a new infrastructure.

AI penetration in the overall economy has been growing but still largely underdeveloped, mainly due to deterrents such as insufficient data, relatively high cost of adoption, system security and governance concerns, as well as deployment challenges. In recent years, however, the market and the society as a whole have been gradually recognizing the transformative effect of AI. In particular, the below technological and societal progresses have expedited AI’s commercial applications.

Data accumulation

The world today is substantially digitized and interconnected, resulting in an explosion of data. 99 zettabytes of data were created, captured, copied and consumed globally in 2022, which has grown nearly 30 times in the last decade, and will further grow to 264 zettabytes by 2027, according to CIC. Such sheer amount of data give rise to massive opportunities to uncover the significant insights embedded therein for every organization, yet such amount of data also present unprecedented challenges for data analysis, which has been increasingly difficult and costly for human labor to handle. The accumulation of data therefore catalyzed the adoption of AI. Meanwhile, learning, training and developing from the enriched data, AI keeps growing smarter and capable of solving real-world problems in a more efficient way.

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Advancement of both computational and algorithmic infrastructure

- *Surging computing power:* Computing power is closely related to the development of chips. Most chip firms have their AI chip lineups vastly improved on the computing power compared to prior generations. According to the CIC Report, the computing power of newly developed generation of AI chips by major chip firms is improved to as high as ten times that of the previous generation of the same lineup.
- *Reduced time and cost of model training:* New algorithms and frameworks have emerged to boost the efficiency of AI training and industrial deployment. For example, with transfer learning technology, the insights gained by one trained AI model are transferrable and reproducible; with automated machine learning (AutoML), all developers and business line users are enabled to develop and optimize machine-learning models, reducing heavy reliance on machine-learning experts.

Improved awareness of deploying AI applications across all sectors

AI continues to transform industries across the globe, and decision makers of all kinds are taking notice, and making their investments in AI. According to the CIC Report, in 2022, the global AI spending reached US\$199.7 billion, representing a CAGR of 29.4% from US\$71.3 billion in 2018, and is expected to expand to US\$562.9 billion in 2027 with a CAGR of 23.0%. It is estimated that more than 15% of the global GDP would be driven by AI by 2030, according to the CIC Report.

China is pioneering the development of global AI industry

Among the forerunners that are embracing AI with open arms, China is home to a vibrant market that is now pioneering the global AI industry with transcending boundaries and surging AI innovations. In terms of the demand side, AI is believed to be an accessible and easy-to-use instrument that leads to operational efficiency and business success in the digital era for entities of all sizes in China. China's significant economic scale and considerable social activity level bring about a rich variety of application scenarios that are AI-penetrable. There exists huge demand in China for AI solutions that are tailored for diverse and dynamic scenarios and real-world tasks, encouraging innovation in both technology and business model. In terms of the supply side, AI providers in China benefit from large and growing amount of data derived from the economic scale and social activity level, strong talent pool, advanced research capabilities and vibrant AI domain players. Moreover, Chinese government's supporting policies and regulations, which promote the development of AI technologies, the education of AI talents and the application of AI solutions, are expected to further drive the rapid development of China's AI industry. As a result, China is leading the innovation and commercialization of AI globally.

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According to the CIC Report, China's AI spending reached RMB225.5 billion in 2022, and is estimated to grow to RMB691.0 billion in 2027 with a CAGR of 25.1%. China is a major AI market with increasing global influences, evidenced by the following facts according to the CIC Report and "Artificial Intelligence Index Report 2022" by Stanford Institute for Human-Centered Artificial Intelligence (HAI):

- China was the second largest AI market globally in terms of AI spending in 2022, capturing approximately 18% of global AI spending.
- With surging demand for AI, the growth of China's AI spending is expected to reach a CAGR of 25.1% from 2022 to 2027, outpacing the growth of global AI spending over the same period.
- China has consistently been the largest market globally in terms of the number of AI patent application since 2016, with one of the largest talent pools of top-tiered AI researchers.
- China has consistently been the largest market globally in terms of both the number of AI journal publications and AI journal citations since 2016.

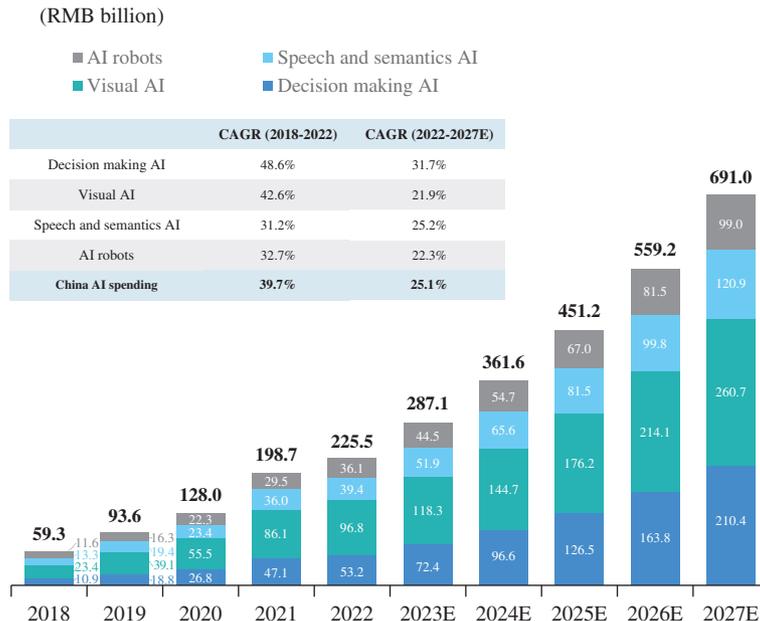
China's AI industry can be categorized into four major segments in terms of fields of application: decision-making AI, visual AI, speech and semantics AI and AI robots. The following sets forth the definition and typical application scenarios for each of the four categories:

- *Decision-making AI* recognizes patterns hidden in data, guides decision-making process on data insights, and addresses issues that are most pertinent to core business operations. Typical applications include, but are not limited to, smart sales and marketing, risk management, and supply chain management.
- *Visual AI* identifies, tracks and measures objects based on visual data, and translates such information into insights and judgments. Typical applications include, but are not limited to, smart access control, public safety surveillance, optical character recognition ("OCR").
- *Speech and semantics AI* aims to recognize, generate and exchange voices, texts and other language information with human beings to save human labor in certain repetitive communication scenarios. Typical applications include, but are not limited to, smart customer service, intelligent transcription, interactive voice response.
- *AI robots* are designed to replace human beings in performing certain repetitive or dangerous tasks. Typical AI robots include, but are not limited to, industrial drones, automated guided vehicles ("AGVs"), surgical robots.

Among the above segments, decision-making AI is expected to be the fastest-growing one according to the CIC Report. The size of China's decision-making AI market in terms of AI spending reached RMB53.2 billion in 2022 and is estimated to grow to RMB210.4 billion in 2027, with a CAGR of 31.7%.

INDUSTRY OVERVIEW

Market Size Breakdown of China AI Industry by Segment, 2018A-2027E



Source: CIC Report

Note: The market size was determined and calculated based on (i) the primary and secondary research performed by CIC on the status quo and future trends of China's AI industry, (ii) with references to relevant downstream vertical industry data publicly released by National Bureau of Statistics and other official organizations and associations, such as China Banking and Insurance Regulatory Commission and China Association of Automobile Manufacturers.

DECISION-MAKING AI MARKET IN CHINA

Significant value unleashed by machines in facilitating decision-making

To fully utilize the value contained in data, many organizations have adopted a data-driven approach to support decision-making in their daily operations. With regard to distilling insights from massive and ever growing data, it makes a difference if the data processor is machine instead of human.

Prior to the development of AI and its eventual commercial application, even with enough data inputs, organizations have had to rely on human perception, experience, judgment and sometimes even intuition to make decisions. We are currently living in an ever-changing world where common sense and accumulated experiences can no longer anticipate the risks involved in making a critical decision, nor can we bear the consequences of making wrong decisions. Meanwhile, it becomes more and more difficult, costly and ultimately impractical to process and analyze massive data in the digital era manually.

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The AI-driven decision-making model, without human beings' limits such as fixed throughput and cognitive bias, is now automating and augmenting the workforce, and in some cases even freeing human force from the tradition mode of workflow to improve the reliability and efficiency of decision-making. With increasingly diverse scenarios penetrated, decision-making AI can optimize almost all building blocks of enterprise operation from top to bottom, including, but not limited to, expanding business scale, improving sales and marketing efficiencies, enhancing operating leverage. For example, in the context of smart sales and marketing, AI-driven solutions, by increasing the accuracy of targeted marketing, can support revenue growth for e-commerce companies. AI-driven decision-making is also transforming risk management in the banking and finance industry. For instance, using AI-based credit risk models could reduce default rates significantly. More and more industries are embracing the great impact of the advanced decision-making AI technology.

Distinguished from other AI solution segments, which are primarily focused on perception and cognition of data patterns, decision-making AI provides predicative analysis and recommendations to support and guide business actions. It is applied in various real-world scenarios such as targeted marketing, risk management and day-to-day operations optimization. The spending on decision-making AI in China is estimated to enjoy significant growth and to take up a higher proportion in the overall AI spending in the coming five years, according to CIC.

The platform-centric approach to scale up application of decision-making AI

Despite the favorable market environment of advancing decision-making AI in China, organizations are often faced with certain key challenges that make it difficult to self-develop and adopt AI applications:

Shortage of AI experts: The shortage of experienced AI experts and data scientists, has long been a critical deterrent for organizations to establish in-house AI talent team that can develop and operate AI infrastructures. For many organizations, shortage of talents is a major hurdle to develop AI in-house.

High TCO (total cost of ownership) and uncertain ROI (return on investment): Building a proprietary AI system, or assembling multiple point-solution AI software applications can be very costly for most enterprises. For example, CIC estimates that it typically costs a company an upfront investment of approximately RMB500 million to internally develop a full set of enterprise-level AI system, which, coupled with costs of continuous maintenance at approximately RMB50 million per annum, results in a much higher TCO compared to an annual spending of approximately RMB50 million to RMB100 million, should the company build an AI system with the same standard through external procurement. Moreover, due to lack of AI expertise and model training, such internally developed AI systems may consume even greater investments and cause longer time to value on an ongoing basis, and the effectiveness and efficiency gain from such systems could still be unsatisfactory, resulting in highly uncertain ROI.

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Deployment issues: Given the technology- and capital-intensive nature, it could take significant resources for companies to deploy AI solutions at scale for developing their customized applications that automate the internal processes such as decision-making. In most cases companies need to adopt a “trial and error” approach for developing and implementing in-house developed AI applications or purchased point solutions in order to find the optimal application portfolio that best suits their business practices. The deployment process takes a long time. As estimated by CIC, it takes approximately three years on average for enterprises to establish large-scale AI infrastructure and AI capabilities internally with their current AI team setup.

Data and system incompatibility: Adoption of outsourced point-solution AI applications poses the risk of incompatibility between the point solution applications and/or between the point solution applications and in-house developed AI applications. Moreover, organizations’ increased awareness of data security, data privacy protection and centralized data and system management adds to the complexity of deploying different point solutions and digesting multiple data sources.

The rapid emergence of platform-centric AI solutions in China recognized and well addressed the aforesaid challenges. Unlike point solutions, platform-centric decision-making AI solutions provide end users with an AI development platform in addition to AI applications and underlying computing infrastructure. Such an AI development platform provides end users with uniform development standards, high compatibility as well as flexible expansion of applications per actual demands. With the plug-and-play feature and infrastructure for further developing and operating use-case-specific solutions, decision-making AI platforms allow for much greater flexibility, scalability, compatibility and easier management.

Comparison between decision-making AI platform and point solution approach

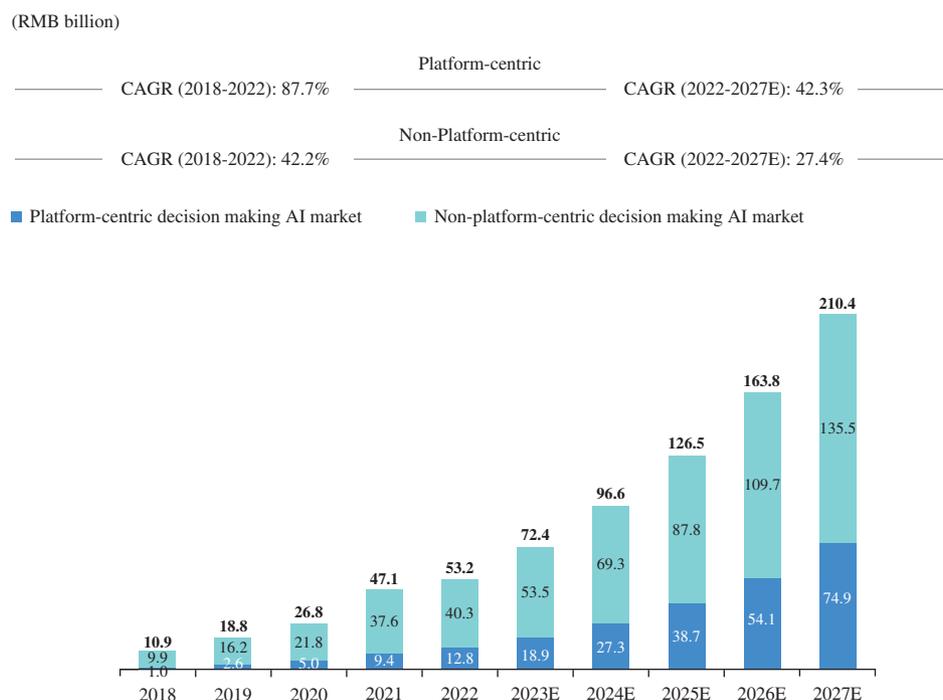
Metrics	Decision making AI platform	Point Solution Approach
Flexibility and scalability	<ul style="list-style-type: none"> Allows for flexible, on-demand AI development Modules and applications are transferrable and reproducible for similar/adjacent scenarios 	<ul style="list-style-type: none"> Point solutions are mostly fixed, one-off deliverables Difficult to meet extra customized demands that need to be expanded on the original solution
Compatibility of data and AI applications	<ul style="list-style-type: none"> Different sources of data can be integrated and uniformly defined on the platform, which eliminates data inconsistency and information silos Applications are compatible with the development environment and rules 	<ul style="list-style-type: none"> Each specific workflow is usually provided by different vendors and involve only part of the users’ whole datasets – might create new data silos within an already fragmented data landscape Need to be stitched together in order to interoperate, and applications could vary in the basic framework, data standard, processing rules, etc.
Management of AI applications	<ul style="list-style-type: none"> Features that enable fast and convenient AI application management are usually provided upfront A uniform security model for all datasets and applications is pre built-in 	<ul style="list-style-type: none"> Extra function to manage AI applications is needed Deploying an extra security model that functions effectively across different individual applications can be much more costly

Source: CIC Report

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Within the decision-making AI market, the platform-centric decision-making AI market in China is a vastly expanding subsegment. The size of platform-centric decision-making AI market reached RMB12.8 billion in 2022 in terms of AI spending and is estimated to grow at a CAGR of 42.3% to RMB74.9 billion in 2027, outgrowing the decision-making AI industry as a whole. The key difference between non-platform-centric and platform-centric decision making AI solutions lies in their potential for AI development and deployment to meet changing demands, namely the expansibility of more AI applications in other use case scenarios and the compatibility of those AI applications. Non-platform-centric decision-making AI applications are mostly fixed and one-off deliverables and can hardly adapt to users' extra demands that require expansions on the original solution, primarily because AI applications designed for different workflows could also differ in their basic frameworks, underlying data governance infrastructure, or processing rules, leading to incompatibility of AI systems. In contrast, the decision-making AI platform underlying platform-centric decision making AI solutions provide operating environment and tools that allow for flexible AI development with transferrable and reproducible modules and applications for similar or adjacent scenarios. It also unifies the development environment and rules of all applications built on top. This unification saves the translation costs in integrating non-platform-centric decision-making AI applications that were independently developed, and it allows the AI systems to be perfectly compatible with each other. In this regard, platform-centric decision-making AI solutions leave more room for enterprises' smooth and integrated AI development and deployment in the future.

Market Size of Decision Making AI Market in China, 2018A-2027E



Source: CIC Report

Note: The market size was determined and calculated based on further primary and secondary research performed by CIC on top of China's AI industry market breakdown presented above.

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Competitive landscape

The following table sets forth the top five players in the platform-centric decision-making AI market in China by revenue in 2022, according to CIC. The top five players represented a combined market share of approximately 56.1%, as measured by relevant revenue in 2022. According to the CIC report, we were the largest platform-centric decision-making AI provider in China in terms of revenue in 2022.

Ranking	Company	Platform-centric decision-making AI revenue, 2022 (RMB billion)	Market share, 2022 (%)
1	4Paradigm	2.9	22.6
2	Company A ⁽¹⁾	1.6	12.3
3	Company B ⁽²⁾	1.1	8.9
4	Company C ⁽³⁾	0.9	6.8
5	Company D ⁽⁴⁾	0.7	5.6
Top five in total		7.2	56.1

Source: CIC Report

Note: The revenues of 4Paradigm's competitors presented above were based on the primary research performed by CIC as there is no publicly available information regarding their platform-centric decision-making AI revenue.

Notes:

- (1) Company A, founded in 2000 and headquartered in Beijing, is a leading internet platform specializing in internet-related services and AI solutions, such as AI cloud services and solutions, mobile applications and services, and intelligent driving. Company A is listed on the Stock Exchange and the NASDAQ.
- (2) Company B, founded in 1999 and headquartered in Hangzhou, is a leading technology company focusing on retail, consumer services and technology solutions. Company B operates e-commerce platforms consumer service platforms, cloud services and solutions such as cloud computing, big data and AI, and other business such as digital media and entertainment. Company B is listed on the Stock Exchange and New York Stock Exchange.
- (3) Company C, founded in 1987 and headquartered in Shenzhen, is a leading technology company which primarily designs, develops and sells telecommunication solutions (such as telecommunication base stations) and consumer electronics (such as mobile phones and laptops). Company C is a private company with a registered capital of approximately RMB40 billion.
- (4) Company D, founded in 1998 and headquartered in Shenzhen, is a leading technology company that provides internet-related services and solutions for both consumers and enterprises. Its business include communications and social media, digital content, entertainment, AI, cloud services, among others. Company D is listed on the Stock Exchange.

We believe 4Paradigm differentiates itself from competitors in many ways, at the core of which is that its business solely focuses on providing pure-play AI solutions.

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According to the CIC Report, 4Paradigm’s major competitors are internet conglomerates that typically offer AI solutions merely to complement their diversified business portfolios, and AI solutions account for only a portion of their expansive business scope. For details of the competitive strengths that contribute to 4Paradigm’s success and differentiate it from its competitors, see “Business – Competitive Strengths.”

Besides, regarding the nature of AI solutions provided, 4Paradigm focuses on decision-making with a platform-centric approach, whereas its major competitors show a blended solution portfolio with a considerable proportion of AI-related revenues generated from visual and speech and semantics AI solutions, as well as AI applications provided independently of a platform. This distinction gives rise to 4Paradigm’s reputation for “professionalism” when it comes to demands for platform-centric decision-making AI solutions.

KEY SUCCESS FACTORS FOR AI SOLUTION PROVIDERS IN CHINA

Value creation for customers

In order to break into a market for any industry or vertical, AI solution providers normally seek to land on selective customers as a starting point, particularly on industry leaders. They first establish deep trust and obtain cooperative relationship with these selective customers that are recognized as “lighthouses” in the respective sectors and verticals. After helping these lighthouse users identify critical issues, provide solutions and achieve the objectives of business improvement, AI solution providers typically identify incremental demands and thus expand their scale of deployment. The AI-empowered improvement of the lighthouse users will then serve as proof points to keep attracting potential customers in the respective industries and verticals. Therefore, the ability to create value and help customers achieve continuous success is of vital importance for decision-making AI firms to pioneer in the industry.

First-mover advantage

Upon helping the lighthouse users achieve business improvement, decision-making AI providers then can leverage their industry know-how and practical experiences to attract and serve other customers in the targeted industries. First-mover advantage is a vital factor of the success in the AI industry. First-movers benefit from training AI for rich application scenarios, frequently engaging with their lighthouse users, and accumulating industry know-how that in turn helps them quickly expand their user base, formulating a virtuous cycle. They are therefore able to iterate smarter AI and to quickly adapt AI solutions to evolving user needs effectively.

Advanced technology and innovation

Technology capability is crucial for the prosperity of AI solutions providers. In light of the rapidly evolving nature of the AI industry, the ability to continuously adopt advanced technologies and to roll out innovative solution and service offerings is essential to maintaining competitive advantages.

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Talent acquisition and retention

Demand for AI talents has grown rapidly in the past few years. As the industry rapidly evolves and as AI solutions come to be widely deployed, companies at every level of AI sophistication become conscious of skill gaps and aim to fill them. The technology-intensive nature of the AI business also requires experienced and skilled talents. Therefore, the ability to continue attracting and retaining talents has become a major success factor.

RECENT INDUSTRY DEVELOPMENT

Large language models (“LLMs” for short), as a general AI model, have become a prominent topic in the AI industry in recent years as they have shown remarkable capabilities in natural language understanding and generation. Particularly, LLMs have received huge public attention since the end of 2022 with the launch of several ground-breaking LLM-based products.

According to CIC, instead of being dominated by a general AI model, the future AI technologies will likely be more diversified, with general AI models (such as LLMs) and specialized AI systems (such as decision making AI models) co-existing for different purposes. LLMs are fundamentally different from decision-making AI models in terms of underlying technologies and usage scenarios, and therefore, value propositions, which make them more complementary than competitive in real-world application. The table below demonstrates a detailed comparison between LLMs and decision making AI models.

Comparison items	LLMs	Decision making AI models
Value propositions	<ul style="list-style-type: none">• Provide plausible answers to generic topics	<ul style="list-style-type: none">• Provide predictive analysis and guide business decision making in specified scenarios
Underlying technology	<ul style="list-style-type: none">• Generative model	<ul style="list-style-type: none">• Distinctive model
Usage scenarios	<ul style="list-style-type: none">• Generation of answers based on retrospection of massive historical data on generic topics	<ul style="list-style-type: none">• Prediction of future status based on summarizing patterns of historical data on specific events and real-time input
Data requirements and TCO	<ul style="list-style-type: none">• Extremely large data scope, typically of largely diverse and generic topics• High TCO due to high training cost of such massive data	<ul style="list-style-type: none">• Adequate data scope, typically related to specific business tasks• Affordable TCO thanks to training of only the most relevant data

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Furthermore, products based on a general AI model now are usually accessible on the public cloud, which could be a potential concern for end users in certain industry verticals that pay particular attention to data security and privacy, such as public institutions and financial institutions. Specialized AI systems, however, could be optionally deployed on private cloud or on premise, which makes them more acceptable to such end users.

SOURCES OF INFORMATION

We commissioned China Insights Consultancy, an independent market research and consulting firm, to provide an analysis of, and to produce a report (the “CIC Report”) on China’s AI market. China Insights Consultancy, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We have agreed to pay a fee of RMB1,640,060 to China Insights Consultancy in connection with the preparation of the CIC Report. The report was prepared independent of the influence of us and other interested parties. We have extracted certain information from the CIC Report in this section, as well as elsewhere in this Prospectus, to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, China Insights Consultancy performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into China’s AI market. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources.

The market projections in the CIC report are based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) relevant key drivers are likely to drive the continued growth of China’s AI market throughout the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulation in which the industry may be affected in either a dramatic or fundamental way. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date.

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Information disclosed in this section is relevant PRC laws, regulations and regulatory documents in effect which have a significant impact on our operations in the PRC as of the date of this Prospectus (hereinafter referred to as “PRC Laws”), which are subject to change in the future, but it does not include a detailed analysis of PRC Laws related to our business activities and operations in the PRC, or serve as all PRC Laws applicable to our operations in the PRC.

REGULATIONS AND POLICIES ON INFORMATION INDUSTRY

Policies on Artificial Intelligence

In accordance with the Notice of the State Council on Promulgating “Made in China 2025” Plan (國務院關於印發《中國製造2025》的通知) which was promulgated by the State Council on May 8, 2015 and came into effect on the same date, to fully implement the intention of the 18th National Congress of CPC and the Second, Third and Fourth Plenary Sessions of the 18th Central Committee of the CPC and adhere to the path of new industrialization with Chinese characteristics, the promotion of integrated development of the next generation information technology and manufacturing technology and regard intelligent manufacturing are the main directions of comprehensive integration of informationization and industrialization. And efforts should be made to develop intelligent equipment and intelligent products, promote intelligent production process, cultivate new production methods, and comprehensively enhance the intelligent level of research and development, production, management and service of enterprises.

The Development Plan of New Generation Artificial Intelligence (新一代人工智能發展規劃) which was promulgated by the State Council on July 8, 2017 and came into effect on the same date, according to which, the State accelerates the cultivation of an artificial intelligence industry with a major leading role, promote the in-depth integration of artificial intelligence and various industrial fields, and form a data-driven, human-machine collaboration, cross-border integration, and co-creation and sharing of intelligent economic forms. Data and knowledge have become the first element of economic growth, human-machine collaboration has become the mainstream mode of production and service, cross-border integration has become an important economic model, co-creation and sharing has become a basic feature of economic ecology, personalized demand and customization have become a new trend in consumption. Develop key basic software such as artificial intelligence-oriented operating systems, databases, middleware, and development tools, break through core hardware such as graphics processors, and study image recognition, speech recognition, machine translation, intelligent interaction, knowledge processing, control decision-making and other intelligent system solutions and cultivate and expand the basic software and hardware industries for artificial intelligence applications.

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The Guidelines for the Construction of the National New Generation of AI Open Innovation Platform (國家新一代人工智能開放創新平台建設工作指引), promulgated by Ministry of Science and Technology of the People's Republic of China on August 1, 2019 and came into effect on the same date, pointed out that "open and sharing" shall be the important philosophy in promoting artificial intelligence innovation and industry development in China, and encouraged to open innovation platforms for companies to do testing, and thus to form standard and modularized models, middleware and applications for providing services to the public in the form of open interfaces, model libraries, algorithm packages, etc.

The Guidelines for the Construction of the National New Generation Artificial Intelligence Innovation and Development Pilot Zone (國家新一代人工智能創新發展試驗區建設工作指引), promulgated by Ministry of Science and Technology of the People's Republic of China on August 29, 2019, amended on September 29, 2020 and came into effect on the same date, underlines that an environment conducive to the innovation and development of artificial intelligence shall be created, as well as to promote the construction of artificial intelligence infrastructure and strengthen the conditional support for the innovation and development of artificial intelligence.

Regulations on Computer Software

In accordance with the Regulations on the Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on June 4, 1991 and latest amended on January 30, 2013, with the latest revision effective on March 1, 2013, Chinese citizen, legal person or other organization is entitled under the copyright of the software he/it has developed, including the right of publication, right of acknowledgement, right of alteration, right of reproduction, right of distribution, right of leasing, right of dissemination, right of translation and other rights that software copyright owners shall have, regardless of whether such software has been published.

In accordance with the Measures for Registration of Computer Software Copyright (計算機軟件著作權登記辦法) promulgated by the National Copyright Administration on April 6, 1992 and latest amended on February 20, 2002, with the latest revision effective on the same date, software copyrights, exclusive software copyright licensing contracts and transfer contracts shall be registered, and the National Copyright Administration shall be the competent authority for the administration of software copyright registration and has certified the China Copyright Protection Centre as the institution responsible for software registration. Applications that comply with the rules shall be granted registration, and a corresponding registration certificate shall be issued by the China Copyright Protection Centre.

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National Catalogue for Guidance on Industrial Restructuring

In accordance with the National Catalogue for Guidance on Industrial Restructuring (2019 Version) (產業結構調整指導目錄(2019年本)) which was promulgated by the National Development and Reform Commission on October 30, 2019 amended on December 30, 2021 and came into effect on the same date, big data, cloud computing, software and information technology service and blockchain information services within the extent permitted by PRC are under the encouraged category.

Outline of the 14th Five-Year Plan for National Economic and Social Development

The Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and Outlines of Objectives in Perspective of the Year 2035 (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), promulgated by the Standing Committee of the National People's Congress on March 11, 2021 and came into effect on the same date, points out the focus of key areas include high-end chips, operating systems, key artificial intelligence algorithms, sensors, and PRC shall speed up technology R&D, and make breakthroughs in basic theories, basic algorithms, and equipment materials.

Policies on the Software Industry

The Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries (進一步鼓勵軟件產業和集成電路產業發展若干政策) which was promulgated by the State Council on January 28, 2011 and came into effect on the same date, specifies a series of policies on tax preference, promotion of investment and scientific research and talent support for the software industry.

REGULATIONS RELATING TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

In accordance with the Law of the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法) which was promulgated by the Standing Committee of the National People's Congress on November 7, 2016 and came into effect on June 1, 2017, PRC adopts graded system for cybersecurity protection, under which network operators are required to perform the obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. In the event that the network operator fails to fulfill obligation concerning graded system for cybersecurity protection, the competent authority shall warn such operator and order it to make rectifications. A fine ranging from RMB10,000 to RMB100,000 shall be imposed on such operator if it refuses to make rectifications or in case of consequential severe damage to the network, and a fine ranging from RMB5,000 to RMB50,000 shall be imposed on the supervisor directly in charge.

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In accordance with the Administrative Measures for the Hierarchical Protection of Information Security (信息安全等級保護管理辦法) which was promulgated by the Ministry of Public Security, State Secrecy Administration State Cryptography Administration, and the Information Office of the State Council on June 22, 2007 and came into effect on the same date, and the Guide for the Grading of Information Security and Cybersecurity 信息安全技術網絡安全等級保護定級指南, which was promulgated by Standardization Administration of the PRC on April 28, 2020 and came into effect on November 1, 2020, the hierarchical protection of the information security at the national level shall follow the principle of “independent grading and independent protection”. Accordingly, the security protection grade of the information system shall be determined by entities operating and using an information system in accordance with the applicable rules. And in the cloud computing environment, based on different service modes, the cloud computing platform/system is divided into different grading objects.

In accordance with the State Security Law of the People’s Republic of China (中華人民共和國國家安全法) which was promulgated by Standing Committee of the National People’s Congress on July 1, 2015 and came into effect on the same date, the PRC government shall develop network and information security assurance system, enhance network and information security assurance capabilities, strengthen innovative research and development and application of network and information technologies and realize the security and controllability of network and information core technologies, critical infrastructure and information systems and data in key areas; the PRC government shall also enhance network management, prevent, deter and punish network criminal acts such as cyber-attacks, network intrusion, network theft and illegal spread of harmful information in order to safeguard the sovereignty, security and development interests of the state cyberspace.

In accordance with the Criminal Law of the People’s Republic of China (中華人民共和國刑法) which was promulgated by the National People’s Congress on July 6, 1979 and latest amended on December 26, 2020, with the latest revision effective on March 1, 2021, a network service provider is subject to criminal liability if such network service provider fails to perform such obligation to manage information network security as specified by laws and administrative regulations, and refuses to make corrections when is ordered by a supervisory authority to do so, and involves any of the specified serious cases.

In accordance with the Data Security Law of the People’s Republic of China (中華人民共和國數據安全法) which was promulgated by the Standing Committee of the National People’s Congress on June 10, 2021 and came into effect on September 1, 2021, PRC protects the rights and interests of individuals and organizations relating to data, encourages the lawful, reasonable and effective use of data, guarantees the orderly and free flow of data in accordance with the law, and promotes the development of the digital economy with data as a key element. And PRC establishes a data classification and hierarchical protection system and data security review system, under which data processing activities that affect or may affect national security shall be reviewed for national security. A decision on security review made in accordance with the law shall be final. Processors of important data shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure

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data security, in accordance with the provisions of laws and regulations. To carry out data processing activities by making use of the Internet or any other information network, the aforesaid obligations for data security protection shall be performed on the basis of the graded protection system for cybersecurity. Provided that the national core data management system is violated, which endangers the sovereignty, security and development interests of PRC, the relevant competent authority will impose a fine of not less than RMB2 million but not more than RMB10 million, and may order suspension of the relevant business, stop the business for rectification, and revoke the relevant business permit or business license as the case may be; if a crime is constituted, criminal liability will be investigated in accordance with the law.

On November 14, 2021, the CAC released the Network Data Security Management Regulations (Draft for Comment) (the “Draft Regulations”) (《網絡數據安全管理條例(徵求意見稿)》). The Draft Regulations, among other things, stipulates that (i) data processors possess personal information of more than one million users seeking a public listing in a foreign country, and (ii) data processors seeking a public listing in Hong Kong that influence or may influence national security, must apply for a cybersecurity review, in accordance with the relevant stipulations of the State. On 28 December 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on 15 February 2022, and the Measures for Cybersecurity Review(《網絡安全審查辦法》) which took effect on 1 June 2020 was abolished at the same time. The Cybersecurity Review Measures provides that, among others, (i) the purchase of cyber products and services by critical information infrastructure operators (the “CIIOs”) and the network platform operators (the “Network Platform Operators”) which engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office (網絡安全審查辦公室), the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the Network Platform Operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

However, the Draft Regulations provide no further explanation or interpretation of “influence or may influence national security.” As advised by our PRC Legal Advisor, according to the National Security Law (國家安全法), national security refers to the condition in which the state power, sovereignty, unity and territorial integrity, people’s welfare, sustainable economic and social development and other vital interests of the State shall relatively face no danger or encounter no internal and external threats, as well as the capability to safeguard sustainable safety condition. The specific scope of what situations would be considered “influence or may influence national security” will be subject to the identification and interpretation of the PRC government authorities. At present, the Draft Regulations had only been released for consultation purposes, and this requirement is newly included in the Draft Regulations, as such there still remain uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects.

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Based on the literal interpretation of the Draft Regulations, our PRC Legal Advisers are of the view that, given that (i) we are a provider of AI solutions, including our AI-empowered precision marketing services, for corporate users and our primary business is to provide privatization deployment solutions, in which we will not access any data owned or held by corporate users; (ii) for cloud-based subscriptions, we offer Sage Platform and other ready-to-use applications through public cloud services offered by third party vendors and we are only provided with the administration access which allows us to help users with coding and system integration upon users' request for the sole purpose of assisting the users to utilize our solutions, and not in any way participating or assisting the corporate users with data processing activities, and we do not access or process any data of our users; (iii) our core technologies are sub-categories of machine learning and are embedded as operating modules ("operators") in our AI developer suites, and we do not own, collect or process data of our users on our servers during the machine learning process, (iv) we mainly obtain personal information of our employees, business contacts, candidates who applied for our open positions and visitors with due legal basis; (v) we do not purchase or acquire in any other way any personal information, or carry out any other form of cooperation in respect of exchange, cleaning and processing of personal information, and neither do we process any important data based on the definition under the Draft Regulations, our business operations do not have a bearing on national security and would not likely to render the vital interests of the State with danger or encounter internal or external threats, and hence, if the Draft Regulations remains in its current form after its promulgation, it may be unlikely that we would be required to undergo a cybersecurity review for the proposed Listing.

Up to the Latest Practicable Date, we had not been notified by any authorities of being classified as a data processor carrying out data processing activities that influence or may influence national security, neither had we been subject to any cybersecurity review, enquiry, investigation or notice by the CAC or any other authorities in connection with the proposed Listing. We and our PRC Legal Advisor are of the view that, assuming the Draft Regulations become effective in their current forms, they will not have a material adverse impact on our business, results of operations, or the proposed Listing on the basis that (i) as disclosed in "Business – Data Privacy and Security", we have implemented comprehensive internal policies on protecting data privacy and security under the supervision of our Chief Architect, with the purpose to ensure data and information security and ensure compliance with all applicable laws and regulations; (ii) as of the Latest Practicable Date, we had not been subject to material fines, mandatory rectifications or other sanctions imposed by any government authorities in relation to data and cybersecurity; (iii) during the Track Record Period and as of the Latest Practicable Date, there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations, and there had been no investigation or other legal proceeding, to the best knowledge of the Company, pending or threatened against our Group initiated by competent government authorities or third parties, that will materially and adversely affect our business operations; and (iv) we will continue to pay close attention to the legislative and regulatory developments in data security and comply with the latest regulatory requirements. We believe that we are compliant with the regulations and policies in effect issued by the CAC to date. Nevertheless, there remain uncertainties with respect to any future development of the relevant regulatory regime. There can be no assurance that the

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relevant authorities will not take a view that is contrary to or otherwise different from that of our PRC Legal Advisor above, and it is also possible that the PRC government authorities may require us to apply for the cybersecurity review for other reasons. In light of the above uncertainties, as of the Latest Practicable Date, we had not applied for such cybersecurity review. We will closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Draft Regulations is formally promulgated.

On July 10, 2023, the CAC, consented by NDRC Ministry of Education, Ministry of Science and Technology, MIIT, Ministry of Public Security, National Radio and Television Administration, promulgated the Provisional Administrative Measures for Generative Artificial Intelligence Services (生成式人工智能服務管理暫行辦法) (“Generative Artificial Intelligence Services Measures”), effective on August 15, 2023. The Generative Artificial Intelligence Services Measures impose compliance requirements for providers of generative AI services to the general public within the territory of PRC. The Generative Artificial Intelligence Services Measures provide, among other things, that the provider of generative AI services of text, image, audio or video to the general public shall (i) assume the responsibilities as the producers of the AI-generated content thereon, and (ii) any provider of generative artificial intelligence services with attribute of public opinions or capable of social mobilization shall conduct security assessment in accordance with the relevant regulations, and complete the formalities for algorithm filing, change or deregistration in accordance with Provisions on the Administration of Algorithm-generated Recommendations for Internet Information Services (互聯網信息服務算法推薦管理規定). On the basis that our SageGPT is only provided to enterprises but not to the general public, our PRC Legal Advisor is of the view that, based on the textual interpretation of the Generative Artificial Intelligence Services Measures, it may be unlikely that we would be required to apply for security assessment or complete the formalities of algorithms filing, change or deregistration procedure. With our PRC Legal Advisor’s view as mentioned above, we are of the view that the Generative Artificial Intelligence Services Measures will not have a material adverse impact on our current and future business operations and financial performance. Nevertheless, there can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our PRC Legal Advisor, and it is also possible that the PRC government authorities may require us to apply for security assessment or complete the filing, change or deregistration formalities of algorithms for other reasons.

REGULATIONS ON OVERSEAS LISTING

Certain PRC regulatory authorities issued Opinion on Severely Punishing Illegal Activities in Securities Market (《關於依法從嚴打擊證券違法活動的意見》), which were available to the public on July 6, 2021, further emphasized to strengthen cross-border regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and archive management relating to the offering and listing of securities abroad, to implement the responsibility on information security of companies listed in foreign countries, and to strengthen the standardized management of cross-border information provision mechanisms and procedures.

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The CSRC promulgated the Overseas Listing Trial Measures and five related guidelines on February 17, 2023, which came into effect on March 31, 2023. The Overseas Listing Trial Measures introduce a new filing regime which requires PRC domestic companies to file with the CSRC within three business days after the submission of application for initial public offering to competent overseas regulators or overseas stock exchanges. The Overseas Listing Trial Measures also provide that overseas listing and offering are explicitly prohibited, if any of the following applies: (i) such securities offering and listing are explicitly prohibited by specific laws and regulations; (ii) the proposed securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council; (iii) the domestic company or its controlling shareholder(s) and the actual controller, have committed crimes including corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy in the past three years; (iv) the domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations which have not definitive conclusion; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The CSRC and other three relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provision on Confidentiality**”) on February 24, 2023, and came into effect on March 31, 2023. Pursuant to the Provision on Confidentiality, when a domestic company or its overseas listing entity provides or publicly discloses the documents and materials involving state secrets and working secrets of state organs to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval, and file with the same level secrecy administration department. A domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals and entities including securities companies, securities service providers and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. Domestic companies providing accounting archives or copies thereof to entities and individuals such as securities companies, securities service institutions and overseas regulatory authorities shall perform the relevant procedures according to relevant regulations. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide related services for the overseas offering and listing of domestic enterprises shall be kept within the territory of the PRC. Cross-border transferring of such working papers shall go through the examination and approval formalities in accordance with the relevant regulations.

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REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent

In accordance with the Patent Law of the People's Republic of China (中華人民共和國專利法) which was promulgated by the Standing Committee of the National People's Congress on March 12, 1984 and latest amended on October 17, 2020, with the latest revision effective on June 1, 2021, the Implementation Regulations for the Patent Law of the People's Republic of China (中華人民共和國專利法實施細則) which was promulgated by the State Council on June 15, 2001 and latest amended on January 9, 2010, with the latest revision effective on February 1, 2010, and the Public Announcement on Measures on Filing of Patent Licensing Contracts (專利實施許可合同備案辦法) which was promulgated by the State Intellectual Property Office on June 27, 2011 and came into effect on August 1, 2011, patent in PRC shall be categorized as invention, utility model and design. The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the filing date. Any organization or individual proposing to implement the patent of others shall enter into a licensing contract with the patentee for implementation and pay royalties to the patentee. And the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide. The parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

Trademark

In accordance with the Trademark Law of the People's Republic of China (中華人民共和國商標法) which was promulgated by Standing Committee of the National People's Congress on August 23, 1982, and was latest amended on April 23, 2019, with the latest revision effective on November 1, 2019, and the Implementation Regulations for the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) which was promulgated by the State Council on August 3, 2002 and was latest amended on April 29, 2014, with the latest revision effective on May 1, 2014, trademarks approved and registered by the trademark bureau are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks; trademark registrants are entitled to exclusive rights to use trademark and are protected by the law. A registered trademark shall be valid for 10 years, commencing from the date of registration. Use of a trademark identical or similar to a registered trademark on the same type of commodities without licensing by the trademark registrant shall be deemed as infringement of exclusive rights to use registered trademarks.

Domain Name

In accordance with the Administrative Measures on Internet Domain Names (互聯網域名管理辦法) which was promulgated by the Ministry of Industry and Information Technology of the People's Republic of China on August 24, 2017 and came into effect on November 1, 2017, the Implementing Rules for the Registration of National Top-level Domain Names (國家頂級域名註冊實施細則) and Procedural Rules for Resolution of Disputes over National Top-level

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Domain Names (國家頂級域名爭議解決程序規則) which were promulgated by China Internet Network Information Center on June 18, 2019 and came into effect on the same date, the domain name registration services shall in principle implement “first apply first register”; where the corresponding detailed rules for domain name registration stipulate otherwise, such provisions shall prevail. The applicant shall be deemed as domain name holder via registration. The domain name disputes shall be accepted and solved by a domain name dispute resolution body as recognized by the China Internet Network Information Center.

In accordance with the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (工業和信息化部關於規範互聯網信息服務使用域名的通知) (hereinafter referred to as “Notice”), which was promulgated by the Ministry of Industry and Information Technology of the People’s Republic of China on November 27, 2017 and came into effect on January 1, 2018, the Internet access service provider concerned shall check the real identity information of the domain name registrant via the Record-filing System, and shall not provide access services if the Internet-based information service provider fails to provide real identity information or the identity information provided is inaccurate or incomplete, with the exception of domain names that have been filed for record with the Record-filing System prior to the effectiveness of this Notice.

Copyright

In accordance with the Copyright Law of the People’s Republic China (中華人民共和國著作權法) which was promulgated by Standing Committee of the National People’s Congress on September 7, 1990 and latest amended on November 11, 2020, with latest revision effective on June 1, 2021, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, including written works; oral works; musical, dramatic, opera, dance, acrobatic artistic works; fine arts, architectural works; photographic works; audio-visual works; graphic works and model works, such as engineering design plan, product design plan, map, schematic diagram, etc.; computer software and any other intellectual achievements which comply with the characteristics of the works. Copyright shall include the following personal rights and property rights: publication right, right of authorship, right of revision, right to preserve the integrity of work, reproduction right, distribution right, rental right, exhibition right, performance right, screening right, broadcasting right, information network transmission right, filming right, adaptation right, translation right, compilation right, and any other rights enjoyed by a copyright holder.

REGULATIONS IN RELATION TO TAX

Enterprise Income Tax

In accordance with the Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法) which was promulgated by the Standing Committee of the National People’s Congress on March 16, 2007, and was latest amended on December 29, 2018, with the latest revision effective on the same date and the Implementation Regulations

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for the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) which was promulgated by the State Council on December 6, 2007, and was latest amended on April 23, 2019, with the latest revision effective on the same date, a uniform income tax rate of 25% will be applied to resident enterprises and non-resident enterprises that have established institutions and premises in China. Besides enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose “de facto management bodies” are within the PRC are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their income derived from both inside and outside the PRC. Corporate income tax for key advanced and new technology enterprises supported by PRC shall be at a reduced tax rate of 15%.

In accordance with the Administrative Measures on Accreditation of High-tech Enterprises (高新技術企業認定管理辦法) which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on April 14, 2008 and amended on January 29, 2016 and came into effect on January 1, 2016, high-tech enterprises referred to in these Measures shall mean resident enterprises registered in China (excluding Hong Kong, Macau and Taiwan) which are continuously engaging in research and development and technology commercialization within the realm of the Regions of Advanced Technologies Strongly Supported by PRC, forming the core independent intellectual property of the enterprise, and carrying out business activities on such basis, which accredited pursuant to these Measures may declare and claim tax incentives pursuant to the Enterprise Income Tax Law (中華人民共和國企業所得稅法) and its Implementation Regulations, the Administrative Law of the People's Republic of China on the Levying and Collection of Taxes, the Implementation Regulations for the Law of the People's Republic of China on Administration of Tax Collection (中華人民共和國稅收徵收管理法實施細則) etc. Upon obtaining the qualification as a high-tech enterprise, the enterprise shall complete tax reduction and exemption formalities with the tax authorities in charge and the qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate.

Value-added Tax

In accordance with the Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) which was promulgated by the State Council on December 13, 1993, and was latest amended on November 19, 2017, with the latest revision effective on the same date, the Detailed Rules for the Implementation Rules for the Provisional Regulations the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) which was promulgated by the Ministry of Finance on December 25, 1993, and was latest effective on November 1, 2011, In accordance with the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) which was promulgated by the State Council and effective on November 19, 2017 and the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) which was promulgated by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and came into effect on May 1, 2018, entities

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and individuals selling goods, services and intangible assets in the People's Republic of China are VAT taxpayers and shall pay value-added tax. Taxpayers selling services and intangible assets are subject to a tax rate of 6%, except in particular circumstances. If a taxpayer is engaged in sale subject to VAT at the previously applicable rate of 17%, the tax rate is reduced to 16%. In accordance with the Announcement on Policies for Deepening the VAT Reform which was issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 and came into effect on April 1, 2019. If a general VAT taxpayer is engaged in a VAT taxable sale or imports goods at the previously applicable rate of 16%, the tax rate is reduced to 13%.

In accordance with the Notice of Ministry of Finance and State Administration of Taxation on Value-added Tax Policies for Software Products (財政部、國家稅務總局關於軟件產品增值稅政策的通知) which was promulgated by the Ministry of Finance and the State Administration of Taxation on October 13, 2011 and came into effect on January 1, 2011, a value-added tax general taxpayer selling software products developed and produced by itself shall be subject to levying and collection of value-added tax at the tax rate of 17%, and the policy of forthwith levy and forthwith refund shall be implemented for the portion of value-added tax actually paid which exceeds 3%.

Urban Maintenance and Construction Tax

In accordance with Urban Maintenance and Construction Tax Law of People's Republic of China (中華人民共和國城市維護建設稅法) which was promulgated by Standing Committee of National Peoples Congress on August 11, 2020 and came effect on September 1, 2021 and the Notice of the State Council on Harmonizing the Urban Maintenance and Construction Tax and Educational Surcharges for Chinese and Foreign-funded Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) which was promulgated by the State Council on October 18, 2010 and latest effective on December 1, 2010, entities and individuals which are subject to consumption tax, VAT and business tax shall pay urban maintenance and construction tax. The tax rate is 7% for a taxpayer who is domiciled in a downtown area, and 5% for a taxpayer who is domiciled in a county or town, and 1% for a taxpayer who is domiciled outside a downtown area, county or town.

REGULATIONS ON LABOR

Labor Relations

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) which was promulgated by Standing Committee of the National People's Congress on June 29, 2007, and was latest amended on December 28, 2012, with the latest revision effective on July 1, 2013, governs the establishment of labor relationships between enterprises, individual economic organizations, private non-enterprise entities etc., in the PRC and their workers and

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the conclusion, performance, variation, rescission or termination of labor contracts, specifies relevant detailed requirements on terms and contents of labor contracts signed between the parties, and stipulates the maximum working hours per day and week and the monthly minimum wage.

Social Insurance and Housing Provident Fund

In accordance with the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) which was promulgated by Standing Committee of the National People's Congress on October 28, 2010 and was latest amended on December 29, 2018, with the latest revision effective on the same date, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity insurance. Employers failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

In accordance with the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) which was promulgated by the State Council on April 3, 1999, and was latest amended on March 24, 2019, with the latest revision effective on the same date, an employer shall make registration of contribution to the housing provident fund with the housing provident fund management center, and go through the formalities of opening housing provident fund accounts on behalf of its employees. And an employer fails to undertake contribution registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. An employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

REGULATIONS ON FOREIGN EXCHANGE ADMINISTRATION

General Foreign Exchange Administration

The Foreign Exchange Control Regulations of the People's Republic of China (中華人民共和國外匯管理條例), promulgated by the State Council on January 29, 1996, and latest amended on August 5, 2008, with the latest revision effective on the same date, is a fundamental legal basis for foreign exchange supervision and regulation by relevant authorities in PRC, according to which, RMB may be freely converted into other currencies for current

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account items (such as foreign exchange transactions in relation to commodity, trade and service, and dividend distribution), based on real and lawful transactions; but capital account items (such as share capital transfer, direct investment, securities investment, derivatives or loan) unless it is approved by the relevant foreign exchange administration department and it has completed the pre registration with the relevant foreign exchange administration department.

In accordance with the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (hereinafter referred to as “Circular 59”) was promulgated by SAFE on November 19, 2012, became effective on December 17, 2012, and was further amended on May 4, 2015, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. Circular 59 also simplifies the capital verification and confirmation formalities for foreign invested enterprises (“FIEs”); the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party and further improve the administration on exchange settlement of FIEs.

The Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (hereinafter referred to as “Circular 19”) was promulgated by SAFE on March 30, 2015, came into effect on June 1, 2015 partially repealed on December 30, 2019 and partially amended by the Notice of the State Administration of Foreign Exchange of Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) promulgated by SAFE on June 9, 2016 and superseded the Notice from the State Administration of Foreign Exchange on Reforming the Administration Method of Settlement of Foreign Exchange Capitals of Foreign-invested Enterprises (hereinafter referred to as “Circular 142”) from the effective date. Circular 19 specifies that foreign exchange settlement by foreign-invested enterprise is subject to supervision under foreign exchange settlement policies, and cancels certain foreign exchange restrictions under Circular 142. However, Circular 19 restates that the use of capital of foreign invested enterprises should follow the principle of truthfulness and self-use within the business scope of a enterprise.

In accordance with the Notice from the State Administration of Foreign Exchange on Reforming and Regulating the Policies of Administration of Foreign Exchange Settlement for Capital Items (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (hereinafter referred to as “Circular 16”) which was promulgated by the State Administration of Foreign Exchange on June 9, 2016 and came into effect on the same date, an enterprise registered in China may, at its sole discretion, convert its foreign debts in a foreign currency to RMB. Circular 16 provides a unified standard for foreign exchange under capital items (including but not limited to foreign currency capital and foreign debt) which may be convertible at the sole discretion of the enterprise. Such standard is applicable to all enterprises registered in the PRC. In addition, Circular 16 restates that, unless otherwise specified, an enterprise shall not directly or indirectly use RMB funds obtained as a result of conversion of foreign currency funds, for purposes outside the business scope, or for investments wealth management other than

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securities investment or capital protected products of banks in China. Moreover, except within the business scope, RMB funds obtained as a result of conversion shall not be used as loans to non-related companies; save for investment in a real estate enterprise, RMB funds obtained as a result of conversion shall not be used for construction or purchase of real estate which will not be used by the enterprise.

On October 23, 2019, the State Administration of Foreign Exchange released the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), according to which, besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds in accordance with the laws provided that such investments do not violate the Special Administrative Measures (Negative List) for Foreign Investment Access (外商投資准入特別管理措施(負面清單)) (hereinafter referred to as “Negative List”) and the target investment projects are genuine and in compliance with laws. According to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知), issued by the State Administration of Foreign Exchange on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall follow the principle of prudential business development to manage and control relevant business risks, and conduct post spot checking on the facilitation of payment for the income under capital accounts in accordance with relevant requirements.

Equity Incentive Plan

In accordance with the Notice of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals’ Participation in Equity Incentive Programs of Overseas Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) which was promulgated by the State Administration of Foreign Exchange on February 15, 2012 and came into effect on the same date, a PRC citizen who participates in the equity incentive plan of an overseas listed company or an individual who participates in such plan and has resided in China for a consecutive period of not less than one year, shall go through relevant procedures with the State Administration of Foreign Exchange or its local counterpart, through a qualified PRC agent (which could be a PRC subsidiary of the overseas listed company), save for a few exceptions. A signing participant shall appoint an overseas trustee to handle matters in relation to their exercise of share options, purchase and sale of corresponding shares or interests, and transfer of funds. In addition, in case of any major change of the equity incentive plan, the PRC agent or overseas trustee or other major changes, the PRC agent shall register the change with the State Administration of Foreign Exchange in respect of the equity incentive plan. The PRC agent shall, on behalf of a PRC resident who has the right to exercise the employee share option, apply to the State Administration of Foreign Exchange or its local counterpart for an annual quota for foreign exchange payment with respect to foreign currency payment in relation to exercise by the PRC resident of the employee share option. Foreign

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exchange earnings obtained by a PRC resident from sale of shares according to the equity incentive plan and the dividend distributed by an overseas listed company shall be remitted to a bank account opened by the PRC agent in China prior to distribution to the PRC resident.

DIVIDEND DISTRIBUTION

In accordance with the Company Law of the People's Republic of China (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993, and was amended on October 26, 2018, and the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (hereinafter referred to as "Foreign Investment Law"), which was promulgated by the National People's Congress of the People's Republic of China on March 15, 2019 and came into effect on January 1, 2020, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided, and shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS ON ESTABLISHMENT OF COMPANIES AND FOREIGN INVESTMENT

In accordance with the Foreign Investment Law and the Implementation Regulations for the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例) (hereinafter referred to as "Regulations"), which was promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, any discrepancy between the Foreign Investment Law and these Regulations and the provisions on foreign investments formulated before January 1, 2020, the provisions of the Foreign Investment Law and these Regulations shall prevail. Investments by foreign investors in fields for which investment is restricted by the Negative List shall comply with the restrictive admission special administrative measures such as equity requirements, senior management personnel requirements stipulated by the Negative List.

In accordance with the Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法), which was promulgated by the Ministry of Commerce and State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign investment enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. In accordance with the Measures for the Security Review of Foreign Investments (外商投資安全審查辦法), which was promulgated by the National Development and Reform Commission and Ministry of Commerce on December 19, 2020 and came into effect on January 18, 2021, the office of the

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working mechanism for the security review of foreign investments is set up under the National Development and Reform Commission, which is led by the National Development and Reform Commission and the Ministry of Commerce to undertake the routine work of the security review of foreign investments.

LAWS AND REGULATIONS RELATING TO FULL CIRCULATION OF H SHARES

According to the Overseas Listing Trial Measures and related guidelines, “Full circulation” represents the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into foreign listed shares circulating in overseas markets. “Full circulation” shall comply with relevant regulations of the CSRC and the shareholders of domestic unlisted shares shall entrust the domestic company to report the “Full circulation” with CSRC by filing materials on key compliance issues, including whether the “Full circulation” has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the “Full circulation” involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

U.S. EXPORT CONTROL LAWS AND REGULATIONS

The U.S. government imposes export controls for national security, foreign policy, and other various policy reasons. One of the primary U.S. export control regimes is governed by the Export Administration Regulations, 15 C.F.R. Parts 730-774 (“EAR”), which are administered and enforced by the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”). BIS is responsible for regulating the export, reexport, or transfer (in-country) of a diverse range of goods, software, and technology (collectively, “items”) including most commercial items, “dual-use” items (i.e., those items having both commercial and military or proliferation applications), and less-sensitive military items.

BIS regulates the export, reexport, and in-country transfer of items that are “subject to the EAR,” a term of art that includes: (i) all U.S.-origin items wherever they are located in the world; (ii) any item physically in, or moving in transit through, the United States or U.S. Foreign Trade Zone (including items of foreign origin); (iii) any foreign-made item containing more than a *de minimis* amount of certain controlled U.S.-origin content; and (iv) certain foreign-made items that are the “direct products” of certain controlled U.S.-origin software or technology (or are the direct product of a plant or major plant component that is itself the direct product of such controlled U.S.-origin software or technology). Generally, foreign-made items that incorporate controlled U.S.-origin content accounting for 25% or less of the value of such items are not subject to the EAR when exported, reexported, or transferred (in-country) to any country except for Cuba, Iran, North Korea, or Syria (for which the *de minimis* threshold is 10%), unless the controlled content is of a certain type for which there is no *de minimis* threshold. For purposes of the *de minimis* analysis, a “controlled” item is any item that would require a destination-based export license from BIS to be exported to, reexported to, or transferred (in-country) within the country at issue.

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Items that are subject to the EAR may require a license from BIS prior to the export, reexport, or transfer (in-country) of the item. Whether an export license is required depends on the Export Control Classification Number (“ECCN”) of the item at issue, the destination to which the item is being exported, reexported, or transferred, and the intended end use or end user of the item.

In particular, BIS maintains several restricted party lists of companies, organizations, and individuals that may be subject to additional license requirements, regardless of the classification of the item. For example, parties on the “Entity List,” Supplement No. 4 to 15 C.F.R. Part 744, are generally prohibited from receiving some or all items subject to the EAR, absent an export license from BIS. License requirements for persons on the Entity List may be limited to only specific ECCNs of concern, or generally apply to all items subject to the EAR.

A party that exports, reexports, or transfers an item that is subject to the EAR is strictly liable for violations related to such activity. The EAR also provides a basis for liability for other parties to a given transaction (i.e., in addition to the exporter). Specifically, parties are prohibited from (i) causing, aiding, or abetting a violation of the EAR; (ii) soliciting or attempting a violation of the EAR; (iii) conspiring to bring about or engage in a violation of the EAR; (iv) misrepresenting or concealing facts to the U.S. government in connection with activities subject to the EAR; (v) acting with the intent to evade the EAR; (vi) failing to comply with recordkeeping requirements of the EAR; and (vii) acting with “knowledge” that a violation of the EAR has occurred or is about to occur. The EAR defines “knowledge” as including “positive knowledge that the circumstance exists or is substantially certain to occur,” as well as “an awareness of a high probability of its existence or future occurrence,” which is “inferred from evidence of the conscious disregard of facts known to a person and is also inferred from a person’s willful avoidance of facts.”

Effective March 2, 2023, BIS added certain entities to the Entity List, including “4Paradigm Technology Co., Ltd.” with aliases “4Paradigm,” “4th Paradigm,” and “Fourth Paradigm”. The address of such entity was provided as “Building 1, No. 66 Qinghe Middle Street, Haidian District, Beijing, China.”

Out of an abundance of caution and unless or until 4Paradigm receives further clarification from BIS, we will assume that all entities located at the address provided in the Entity List are subject to the Entity List restrictions in order to comply with the relevant restrictions. These entities specifically include: Beijing Fourth Paradigm Technology Co., Ltd., Fourth Paradigm (Beijing) Data & Technology Co., Ltd., Beijing Paradigm Empowerment Enterprise Management Co., Ltd., Beijing Xuexian Intelligent Technology Co., Ltd., Beijing Yuntian Xinrui Technology Co., Ltd., Beijing Future Paradigm Technology Co., Ltd., Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd., and Zhimei Xinchuang (Beijing) Technology Co., Ltd. (the “Listed Entities”). For more details of these entities, see “History, Development and Corporate Structure – Our Principal Subsidiaries” and Note 1 to the Accountant’s Report in Appendix I to this Prospectus. However, it is possible that not all Listed Entities are subject to the restrictions.

REGULATORY OVERVIEW

The Entity List restrictions do not apply to non-listed entities in our Group that are legally distinct from the Listed Entities (the “Non-listed Entities”). That is, BIS has explicitly advised that “the licensing and other obligations imposed on an entity by virtue of being listed [on the Entity List] do not per se apply to its subsidiaries, parent companies, sister companies, or other legally distinct affiliates that are not listed on the Entity List.” However, a Non-listed Entity (or any other person) may not act as an agent, a front, or a shell company for a Listed Entity in order to facilitate transactions that would not otherwise be permissible with the Listed Entity.

The addition of the Listed Entities to the Entity List restricts those entities’ ability to purchase, acquire, or otherwise access any items subject to the EAR without a license from BIS. Specifically, absent a license from BIS, it is prohibited to export, reexport, or transfer any items subject to the EAR when any Listed Entity is a party to the transaction, including as purchaser, intermediate consignee, ultimate consignee, or end-user. That is, even if the Listed Entity is not the intended end user of the item(s) involved, the restrictions would still apply to the extent the Listed Entity is the purchaser or otherwise involved in a given transaction. License applications to the Listed Entities will be reviewed with a presumption of denial for all items subject to the EAR.

The Entity List restrictions applicable to the Listed Entities apply to items subject to the EAR only where such items would be imported, procured, or obtained by the Listed Entities post-designation to the Entity List. For example, if the Listed Entities obtained an item subject to the EAR prior to March 2, 2023, the Listed Entities would not be prohibited from continue access to and use of such item post-Entity List designation. However, the Listed Entities would be prohibited from obtaining additional quantities of, or updated versions of, such item as of March 2, 2023.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a leader in enterprise AI. We offer platform-centric AI solutions that can be rapidly deployed by enterprises on a large scale to uncover hidden patterns in data and comprehensively enhance decision-making capabilities.

Our Group was founded in September 2014. The predecessor of our Company, Beijing Fourth Paradigm Technology, was established as a limited liability company under the laws of the PRC by Ms. Wu, the spouse of Dr. Dai, as the sole equity interest holder on September 17, 2014. Ms. Wu has relevant experience in AI technology industries. Prior to being the equity interest holder of our Company upon its establishment, Ms. Wu was the senior investment manager at Baidu for approximately five years. Ms. Wu has been employed as a venture partner of HongShan since June 2018, who is responsible for among others, (a) providing assistance in sourcing investment opportunities, and execution to completion after the investment committee of HongShan approves of such investment opportunities, (b) monitoring the post-investment performance of portfolio companies and (c) offering advice to the investment team of HongShan with investment advice in technology-related sectors. Ms. Wu does not have any shareholding or partnership interest in HongShan Venture, HongShan Hanchen, HongShan Mingde and HongShan Zhisheng and she has never been and will not be involved in making any decision in respect of the investment in the Company by any entity of HongShan. During the Track Record Period and as of the Latest Practicable Date, Ms. Wu has not been involved in the day-to-day management and operation of the Group. Dr. Dai, Chairman of our Board, an executive Director, Chief Executive Officer and General Manager of the Company, joined our Group as Chief Executive Officer in January 2015, became a shareholder of Beijing Fourth Paradigm Technology, our predecessor, in May 2015 and Chairman of the Board in August 2015. For details of the experience of Dr. Dai, please see the section headed “Directors, Supervisors and Senior Management” in this Prospectus. We were converted into a joint stock limited company under the laws of the PRC on July 9, 2021.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key business development milestones since our inception:

Time	Milestone
2014	In September, Beijing Fourth Paradigm Technology, being our predecessor, was established in the PRC
	In December, we launched the first commercialized product (Sage Platform version 1.0) using the framework of AutoML, one of our core technologies

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Time	Milestone
2015	We commenced serving users in the finance sector by offering application development and other services to develop intelligent product recommendation applications
2016	We started offering Sage Platform version 2.0, an end-to-end AI application development platform
2018	We commenced serving users in the retail sector by offering Sage Platform and applications to develop intelligent menu recommendation applications We started offering Sage Platform version 3.0, an end-to-end AI application development platform
2019	We commenced serving users in energy sector by offering application development and other services to develop intelligent reservoir identification applications In June, we launched SageOne, our software-defined “All-in-One” solutions with pre-built Sage Platform and applications on servers and other related hardware
2020	In February, Sage Platform was awarded ePrivacysealEU, a certification demonstrating our commitment to compliance with the European Union’s General Data Protection Regulation (GDPR) In March, AutoML, one of our core AI technologies, was selected into Gartner’s report on Top 10 Strategic Technology Trends in 2020 In August, we launched Sage AIOS, an AI operating system featuring user-friendly interface, standardized data processing, automated resource management and allocation and fully compatible middleware that are comparable to personal computer operating system In November, we were selected as a global representative corporation in Gartner’s Emerging Technologies and Trends Impact Radar We commenced serving users in manufacturing sector by offering Sage Platform and applications to improve the performance of their storage systems

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Time	Milestone
2021	In June, we launched our enterprise-level AI app store, which contains a cluster of applications on our AI operating system using our algorithms and standards, and OpenMLDB, an open-source database designed and optimized to enable data correctness and efficiency for machine learning driven applications
2022	<p>In October, we were awarded with “Hidden Champions of Beijing” jointly by Beijing Municipal Bureau of Economy and Information Technology and Beijing Federation of Industry and Commerce</p> <p>In November, we were awarded with “Individual Champion Product of the Manufacturing Industry” jointly by MIIT and China Federation of Industrial Economics</p>
2023	In March, we launched SageGPT, an enterprise-grade generative AI product specially designed for business scenarios, featuring multimodal interaction and enterprise-ready AI tools

OUR PRINCIPAL SUBSIDIARIES

The place of incorporation, date of incorporation and commencement of business, registered or issued capital, and principal business activities of each of our principal subsidiaries that made a material contribution to our results of operation or are regarded as otherwise significant to our business operations during the Track Record Period are shown below, all of which were incorporated in the PRC:

Name	Date of incorporation and commencement of business	Principal business activities
4Paradigm Technology	September 29, 2016	Investment holding and investment activities
Shanghai Shishuo	April 1, 2017	Sales of AI platform and provision of AI related services
4Paradigm Beijing	May 12, 2015	Sales of AI platform and provision of AI related services
4Paradigm Shenzhen	March 11, 2019	Sales of AI platform and provision of AI related services
Guangzhou Jianxin	April 6, 2005	Provision of intelligent platform and solutions in energy and power industry

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name	Date of incorporation and commencement of business	Principal business activities
Ideal Technology	April 17, 2000	Provision of IT operation management products and solutions

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

(1) Establishment of Beijing Fourth Paradigm Technology

On September 17, 2014, our predecessor Beijing Fourth Paradigm Technology was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB5,000,000. Ms. Wu was the sole equity interest holder at the time of establishment.

On May 15, 2015, Beijing Fourth Paradigm Technology increased its registered share capital to RMB10,204,100. The shareholding structure of Beijing Fourth Paradigm Technology upon such increase is set forth in the table below:

Shareholders	Registered capital subscribed for (RMB)	Corresponding equity interest in our Company (%)
Dr. Dai	5,204,100	51.0001
Ms. Wu	5,000,000	48.9999
Total	10,204,100	100.00

(2) Pre-IPO Investments

From August 2015 to June 2021, we have entered into several rounds of pre-IPO financing agreements with our Pre-IPO Investors. For further details, please refer to the paragraphs headed “– Pre-IPO Investments” in this section.

Our PRC Legal Advisor has confirmed that, all the equity interest transfers and capital increases as described in “– Pre-IPO Investments” were properly and legally completed and all necessary approvals, filings and registrations from the relevant PRC authorities have been obtained and completed.

(3) Equity interest transfer in May 2018

On May 1, 2018, Ms. Wu entered into an equity interest transfer agreement with Paradigm Investment, pursuant to which Ms. Wu transferred her 19.42% equity interest in Beijing Fourth Paradigm Technology to Paradigm Investment, our Employee Incentive Platform, at a nominal consideration of RMB1. The nominal consideration for the transfer was determined between the parties taking into account that the transfer was to establish an employee incentive platform and with reference to the fact that the registered capital had not been paid up by Ms. Wu at the time of the transfer. Upon completion of the equity interest transfer on June 15, 2018, Ms. Wu and Paradigm Investment held 11.24% and 19.42% equity interest in Beijing Fourth Paradigm Technology, respectively.

(4) Equity interest transfer in April 2021

On April 28, 2021, Ms. Wu entered into an equity interest transfer agreement with Dr. Dai, pursuant to which Ms. Wu transferred her 8.11% equity interest in Beijing Fourth Paradigm Technology to Dr. Dai at nil consideration. The nil consideration for the transfer was determined between the parties taking into account that the transfer was a familial arrangement and with reference to the fact that the registered capital had not been paid up by Ms. Wu at the time of transfer. Upon completion of the equity interest transfer on April 29, 2021, Dr. Dai held 27.12% equity interest in Beijing Fourth Paradigm Technology and Ms. Wu ceased to hold any direct equity interest in Beijing Fourth Paradigm Technology.

(5) Equity interest transfer in May 2021

To recognise the vested share incentive to our former employees, Paradigm Investment entered into an equity interest transfer agreement with Paradigm Yinyuan (the limited partnership interest of which was mainly held by our former employees via other partnerships at the time of transfer) on May 24, 2021, pursuant to which Paradigm Investment transferred its 2.84% equity interest in Beijing Fourth Paradigm Technology to Paradigm Yinyuan at nil consideration, with reference to the fact that the registered capital had not been paid up at the time of transfer. Both general partners of Paradigm Investment and Paradigm Yinyuan are Beijing New Wisdom. Upon completion of the equity interest transfer on May 25, 2021, Paradigm Yinyuan held 2.84% equity interest in Beijing Fourth Paradigm Technology.

The share incentives were vested through the limited partnership interests of Paradigm Yinyuan indirectly held by 76 former employees who are Independent Third Parties and Dr. Yang Qiang, our non-executive Director and former chief science consultant of the Company who has been providing us with strategic advice and guidance on product and technology research and development since November 2014 till now. Given that it has always been the intention of our Group that Dr. Yang's role in the Group is to provide his valuable advice and insight on product and technology from advisory perspective, which he has been already performing such function in the capacity as a Director after his directorship appointment in November 2016, our Company was of the view that it was unnecessary for Dr. Yang to provide such advice with another title of chief science consultant. Therefore, after review and

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

streamline of our Group's operation and corporate governance structure, our Group and Dr. Yang agreed to terminate title of Dr. Yang as the chief science consultant in the Company while he remains as our Director to continue providing advice to our Group. Since there is no material change in the involvement and nature of advice and guidance provided by Dr. Yang to our Group as a result of the change in title, there is no material impact on our Group's operations, financial performance and strategic development after Dr. Yang's cessation as the chief science consultant of the Company.

Among the 76 former employees, 44, 26 and 6 individuals were involved in research and development, sales and marketing, and general and administration, respectively, immediately before their departure from the Group. These 76 former employees resigned from the Group on their own accord in pursuit of their career development and there is no disagreement of these former employees with the Group in respect of their resignation. According to our employees manual and the employment agreements signed with these former employees, our Group as the employer has the legal ownership of the intellectual property rights developed by these former employees during performance of the tasks we assigned to them or if they utilize the resources or technology provided by us to develop the relevant intellectual property rights in the course of their employment or within one year after their departure from our Group.

(6) Conversion into a joint stock limited company

On June 23, 2021, our Board passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company and the change of name of our Company to Beijing Fourth Paradigm Technology Co., Ltd.* (北京第四範式智能技術股份有限公司). Pursuant to the promoters' agreement dated July 1, 2021, entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of May 31, 2021 into 400,000,000 Shares of our Company, with the remaining RMB554,290,774.33 in net assets included as capital reserves of the Company.

On July 7, 2021, our Company convened a general meeting, and passed related resolutions approving the conversion of our Company into a joint stock limited company, articles of association and relevant procedures. Upon completion of the conversion, the registered capital of our Company became RMB400,000,000 divided into 400,000,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on July 9, 2021 when our Company obtained a new business license.

REASONS FOR THE LISTING

Our Company is seeking a listing of its H Shares on the Stock Exchange in order to provide further capital for the development and expansion of our Company's business, to strengthen our Company's working capital and to further raise our business profile and global presence. For further details of our future plans, please refer to the section headed "Future Plans and Use of Proceeds" of this Prospectus.

MAJOR ACQUISITIONS AND INVESTMENTS

Acquisition of Guangzhou Jianxin

In order to strengthen our business coverage in the energy and electric power industry and facilitate the industry's AI transformation, 4Paradigm Beijing entered into share purchase agreements with ten individuals and two limited partnerships established in the PRC, all of which were Independent Third Parties at the time of acquisition (“**Jianxin Sellers**”) on March 29, 2021, pursuant to which, 4Paradigm Beijing agreed to purchase a total of 66.0% equity interest of Guangzhou Jianxin at an aggregate consideration of approximately RMB197.98 million.

The consideration for the acquisition of Guangzhou Jianxin was determined by arm's length negotiations among the parties, with reference to the fair value of 100% equity interest of Guangzhou Jianxin in the amount of approximately RMB310 million as of December 31, 2020 with the adoption of discounted cash flow under the income approach and taking into account the promising prospect of Guangzhou Jianxin with reference to its historical growth in revenue and net profit as demonstrated below. Based on the annual financial reports of Guangzhou Jianxin for the years ended December 31, 2018 and 2019 and the audited consolidated financial statements for the year ended December 31, 2020, its revenue increased from approximately RMB135.4 million for the year ended December 31, 2018 to approximately RMB154.2 million and RMB190.7 million for the years ended December 31, 2019 and 2020. Guangzhou Jianxin recorded a net profit which increased from approximately RMB15.2 million for the year ended December 31, 2018 to approximately RMB28.4 million, RMB27.0 million for the years ended December 31, 2019 and 2020. As of the Latest Practicable Date, 4Paradigm Beijing has already paid approximately RMB187.5 million to Jianxin Sellers. The remaining RMB10.5 million will be paid in installments in accordance with the share purchase agreements, which specify that the last installment will be paid within 20 business days from the day after the issue of consolidated financial report of Guangzhou Jianxin for the financial year of 2023.

Guangzhou Jianxin, a national high and new technology enterprise (國家高新技術企業) established in the PRC on April 6, 2005, is a leading service provider of digital and intelligent platform in the energy and electric power industry in the PRC. It is principally engaged in sale of application software and hardware products, application development and consulting services to customers with primary focus in energy and electric power industry. In particular, leveraging its 16-year history in the industry and with its self-developed industrial internet platform, Guangzhou Jianxin offers its customers enterprise asset management products and services, including but not limited to prognostics and health management and power production management system, and application services in relation to the system such as operation and maintenance, monitoring the operation status, troubleshooting and system operation optimization. Guangzhou Jianxin was listed on National Equities Exchange and Quotations (the “**NEEQ**”) on October 24, 2016, and subsequently delisted on March 17, 2021. The market capitalization of Guangzhou Jianxin immediately prior to its delisting on National Equities Exchange and Quotations was approximately RMB224.7 million, which was calculated based on the trading price of the last share transfer transaction of Guangzhou Jianxin immediately prior to its delisting from the NEEQ. Due to the trading mechanism of the NEEQ and its

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

relatively low liquidity, the aforementioned market capitalization of Guangzhou Jianxin may not reflect its actual fair value. Guangzhou Jianxin has five wholly-owned subsidiaries in the PRC. For details of the subsidiaries of Guangzhou Jianxin, please refer to the paragraph headed “Corporate Structure Immediately Before Completion of the Global Offering” in this section.

All applicable regulatory approvals have been obtained for the acquisition of Guangzhou Jianxin. The registration with the relevant Administration for Market Regulation in respect of the acquisition of 66% equity interest of Guangzhou Jianxin has been completed on March 31, 2021. In accordance with the share purchase agreements, 4Paradigm Beijing has been entitled to the equity interest holder’s right and obligations of the 66% equity interest in Guangzhou Jianxin since March 31, 2021. As such, the acquisition of the 66% equity interest in Guangzhou Jianxin has been properly and legally completed on March 31, 2021. For details of the holders of the remaining 34% equity interest in Guangzhou Jianxin, please refer to the paragraph headed “Corporate Structure Immediately Before Completion of the Global Offering” in this section.

Acquisition of Shanghai Yisahui and capital increase of Ideal Technology

In order to achieve deep integration of IT operation management with AI applications, facilitating automation transformation and intelligent upgrade of IT operation, as well as further enhancing the Group’s solution and service offering in the finance industry, 4Paradigm Technology entered into an acquisition agreement dated June 20, 2021 (the “**Acquisition Agreement**”) with Mr. Qi Lianxu (齊連旭), Ms. Xing Cuixia (邢翠霞), and Shanghai Binhuoming Business Management Partnership (Limited Partnership) (上海炳火明企業管理合夥企業(有限合夥)), “**Shanghai Binhuoming**”, pursuant to which 4Paradigm Technology agreed to purchase 100% of equity interest of Shanghai Yisahui, which held 49.38% equity interest of Ideal Technology before the capital increase by 4Paradigm Technology pursuant to the Acquisition Agreement, from Mr. Qi and Shanghai Binhuoming for a consideration of RMB200.0 million.

Pursuant to the Acquisition Agreement, 4Paradigm Technology also agreed to purchase newly increased registered capital of Ideal Technology of RMB5,555,556 for a consideration of RMB45.0 million. On completion of the acquisition and the capital increase in June 2021, 4Paradigm Technology in aggregate held 54.44% equity interest of Ideal Technology.

The considerations for the acquisition of Shanghai Yisahui and capital increase of Ideal Technology in June 2021 were determined by arm’s length negotiations among the parties, with reference to the fair value of 100% equity interest of Ideal Technology in the amount of approximately RMB420.9 million as of May 31, 2021 with the adoption of discounted cash flow under the income approach and taking into account the promising prospect of Ideal Technology with reference to its revenue growth as demonstrated below. Based on the audited financial statements of Ideal Technology, it recorded revenue of approximately RMB35.0 million, RMB50.0 million and RMB52.2 million for the years ended December 31, 2018, 2019 and 2020. As of the Latest Practicable Date, 4Paradigm Technology has already paid RMB45.0 million to Ideal Technology and RMB160.0 million to the then shareholders of Shanghai Yisahui. The remaining RMB40.0 million will be paid in installments in accordance with the Acquisition Agreement, which specifies that the last installment will be paid within 15 business

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days from the day after the issue of consolidated financial report of Ideal Technology for the financial year of 2024. To the best knowledge, information and belief of the Group, each of Mr. Qi, Ms. Xing and Shanghai Binhuoming is an Independent Third Party at the time of acquisition.

Shanghai Yisahui is a limited liability company established in the PRC on June 9, 2021 and it is an investment holding company which held 44.44% equity interest in Ideal Technology after completion of the capital increase by 4Paradigm Technology in June 2021 pursuant to the Acquisition Agreement.

Founded in 2000 and launched as its self-developed IT operation management software in 2002, Ideal Technology is a leading software developer offering one-stop-shop operation and maintenance automation solutions for its clients in the finance industry, Idea Technology aims to assist its enterprise clients in realizing the transformation of digitalization and automation, improving the efficiency and quality, as well as ensuring the safe, continuous and stable operation of the clients' business systems. Ideal Technology provides information technology automation operation system software and relative application and development services to customers in finance sector. In particular, through the aforementioned products and/or service, Ideal Technology assists the data centres of banks to handle batch processing and disaster recovery through artificial intelligence for information technology operations.

All applicable regulatory approvals have been obtained for the acquisition of Shanghai Yisahui and capital increase of Ideal Technology. The registration with the relevant Administration for Market Regulation has been completed on June 23, 2021. The acquisition of Shanghai Yisahui and capital increase of Ideal Technology has been properly and legally completed on June 30, 2021 in accordance with the Acquisition Agreement. 4Paradigm Technology had been entitled to the equity interest holder's right and obligations of the 54.44% equity interest in Ideal Technology since June 30, 2021. On December 28, 2022, 4Paradigm Technology also agreed to purchase newly increased registered capital of Ideal Technology of RMB3,086,419 for a consideration of RMB25.0 million. As at the Latest Practicable Date, 4Paradigm Technology has already paid RMB25.0 million to Ideal Technology. The capital increase of Ideal Technology has been properly and legally completed on December 29, 2022 in accordance with the capital increase agreement. On completion of the aforementioned capital increase, 4Paradigm Technology in aggregate holds 56.84% equity interest of Ideal Technology. For details of the holders of the remaining 43.16% equity interest in Ideal Technology, please refer to the paragraph headed "Corporate Structure Immediately Before Completion of the Global Offering" in this section.

EMPLOYEE INCENTIVE SCHEME

In recognition of the contributions of our current employees and to incentivize them to further promote our development, Paradigm Investment and Nanjing Paradigm were established in the PRC as our Employee Incentive Platforms.

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Paradigm Investment was established as a limited partnership in the PRC on March 29, 2018 as our current Employee Incentive Platform. Beijing New Wisdom is the general partner of Paradigm Investment and is responsible for the management of day-to-day affairs and exercise of the voting rights of Paradigm Investment. Therefore, in effect, all management powers and voting rights of Paradigm Investment reside with Dr. Dai, who owns 99% equity interest of Beijing New Wisdom. As of the Latest Practicable Date, Dr. Dai, as our Controlling Shareholder, by himself and through his close associates, Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, controlled approximately 40.44% of our total issued share capital and together, they constitute a group of our Controlling Shareholder.

The limited partnership interest of Paradigm Investment was subscribed by limited partnerships which are in turn held by the employees under the Employee Incentive Scheme on May 24, 2021, and the relevant subscription price was fully settled on May 25, 2021. At the relevant time, the grantees indirectly owned the registered capital of the Company through Paradigm Investment in the amount equivalent to 69,613,140 Unlisted Shares underlying the awards to Paradigm Investment after conversion of the Company into a joint stock company in July 2021. The share incentives in the Company were vested through limited partnership interests of Paradigm Investment indirectly held by employees. Following the sale of registered capital in the Company which is equivalent to 5,650,406 Shares by the grantees through Paradigm Investment, Paradigm Investment as an Employee Incentive Platform holds 63,962,734 Shares as at the Latest Practicable Date.

Nanjing Paradigm was established as a limited partnership in the PRC on December 29, 2022 as our current Employee Incentive Platform. Paradigm New Wisdom is the general partner of Nanjing Paradigm and is responsible for the management of day-to-day affairs and exercise of the voting rights of Nanjing Paradigm. Therefore, in effect, all management powers and voting right of Nanjing Paradigm reside with Mr. Yu Hui, who owns 100% equity interest of Paradigm New Wisdom. Mr. Yu Hui is an employee of the Group who is responsible for the operation system management including human resources management and public relations, and is an Independent Third Party.

The limited partnership interest of Nanjing Paradigm was subscribed by the employees under the Employee Incentive Scheme on January 11, 2023, and the relevant subscription price was settled on January 18, 2023. The Shareholders resolved on December 30, 2022 to allow Nanjing Paradigm as the Employee Incentive Platform to subscribe for increased registered capital of the Company, which involved the issue of 13,537,299 Unlisted Shares underlying the awards to Nanjing Paradigm. The increased registered capital subscribed by Nanjing Paradigm represented the share incentives in the Company vested through limited partnership interests of Nanjing Paradigm held by employees. Following the sale of 5,578,755 Shares by Nanjing Paradigm, Nanjing Paradigm as an Employee Incentive Platform holds 7,958,544 Shares as at the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The above arrangements were to ensure the employees as grantees to have sufficient funds for settlement of the subscription price of limited partnership interest of Employee Incentive Platforms and the tax arising from the grant of awards. For the details on changes in the share capital of our Company, Paradigm Investment, Nanjing Paradigm and information regarding the terms of the Employee Incentive Scheme, please refer to the sections headed “Statutory and General Information – Further Information about Our Directors, Supervisors, Senior Management and Substantial Shareholders – 5. Employee Incentive Scheme” and “Statutory and General Information – Further Information about Our Company – Changes in Share Capital” in Appendix VI to this Prospectus.

PRE-IPO INVESTMENTS

From August 2015 to June 2021, our Company entered into several rounds of financing agreements with our Pre-IPO Investors through subscriptions of increased registered capital of our Company.

Series A Financing

On August 5, 2015, our Company resolved to allow HongShan Venture to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series A Financing was completed on October 16, 2015. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed to/ purchased
HongShan Venture	<u>US\$4,000,000</u>	<u>RMB1,800,724</u>
Total	<u><u>US\$4,000,000</u></u>	<u><u>RMB1,800,724</u></u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Series A-1 Financing

On January 31, 2016, each of Innovation Works Development Fund III, L.P. and HongShan Venture entered into a capital increase agreement with our Company and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series A-1 Financing was completed on March 23, 2016. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Innovation Works Development Fund III, L.P.	US\$2,100,000	RMB379,100
HongShan Venture	US\$1,400,000	RMB252,733
Total	US\$3,500,000	RMB631,833

Series A-2 Financing

On July 15, 2016, each of Beijing Innovation, HongShan Mingde and Shanghai Fengshang Venture Capital Partnership (Limited Partnership) (formerly known as Shanghai Fengshang Equity Investment Fund Partnership (Limited Partnership)) entered into a capital increase agreement with our Company and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series A-2 Financing was completed on November 28, 2016. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Beijing Innovation	RMB39,821,064	RMB605,651
HongShan Mingde	RMB19,188,940	RMB291,851
Shanghai Fengshang Venture Capital Partnership (Limited Partnership)	RMB27,000,000	RMB410,651
Total	RMB86,010,004	RMB1,308,153

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Series B-1 Financing

On November 11, 2017, each of YSC Investment I, Value Global Limited, Guangkong Zhongying, HongShan Zhisheng, Beijing Innovation, Sinovation Fund III and LF Beta entered into a capital increase agreement with our Company, 4Paradigm Beijing, 4Paradigm Technology, Shanghai Shishuo and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series B-1 Financing was completed on December 19, 2017. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
YSC Investment I	US\$18,000,000	RMB627,516
Value Global	US\$6,000,000	RMB209,172
Guangkong Zhongying	US\$2,000,000	RMB69,724
HongShan Zhisheng	US\$6,168,961	RMB215,062
Beijing Innovation	US\$1,520,120	RMB52,995
Sinovation Fund III	US\$951,501	RMB33,171
LF Beta	US\$359,418	RMB12,531
Total	<u>US\$35,000,000</u>	<u>RMB1,220,171</u>

Series B-2 Financing

On December 28, 2017, each of Hubei Boheng, Zhuhai Rongxiao Equity Investment Partnership (Limited Partnership) and Chance Talent entered into a capital increase agreement with our Company, 4Paradigm Beijing, 4Paradigm Technology, Shanghai Shishuo, Dr. Dai and Ms. Wu, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series B-2 Financing was completed on June 15, 2018. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Hubei Boheng	US\$5,000,000	RMB174,310
Zhuhai Rongxiao Equity Investment Partnership (Limited Partnership)	US\$5,000,000	RMB174,310
Chance Talent	US\$2,000,000	RMB69,724
Total	<u>US\$12,000,000</u>	<u>RMB418,344</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Series C Financing

On October 31, 2018, our Company, our then shareholders and our Series C Pre-IPO Investors entered into a capital increase agreement, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series C Financing was completed on March 29, 2019. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Guoxin Qidi	US\$49,497,459	RMB771,335
Ningbo Huiyuan	US\$502,541	RMB7,831
Zhuhai Jiaxun	US\$28,716,653	RMB447,501
Onew Capital SPC Cayman Corporate	US\$10,000,000	RMB155,833
Zhuhai Xuren	US\$14,358,326	RMB223,750
Ruihui Haina	US\$20,000,000	RMB311,667
BOCOM International Holdings Company Limited	US\$15,000,000	RMB233,750
CITIC Securities Investment	US\$2,871,665	RMB44,750
Jinshi Jinrui	US\$3,589,582	RMB55,938
Jinshi Haofeng	US\$2,871,665	RMB44,750
Jinshi Zhiyu	US\$2,871,665	RMB44,750
Nongwan Investment	US\$4,307,498	RMB67,125
HongShan Zhisheng	US\$3,000,000	RMB46,750
Total	<u>US\$157,587,054</u>	<u>RMB2,455,730</u>

Series C-1 Financing

On July 31, 2019, Cisco China, CNCB (Hong Kong) Investment Limited and Nongwan Investment entered into a capital increase agreement with our Company, 4Paradigm Beijing, 4Paradigm Technology, Shanghai Shishuo, Future Paradigm and Dr. Dai, pursuant to which the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series C-1 Financing was completed on October 20, 2020. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Cisco China	US\$5,000,000	RMB63,295
Nongwan Investment	US\$500,000	RMB6,329
CNCB (Hong Kong) Investment Limited	US\$15,000,000	RMB189,885
Total	<u>US\$20,500,000</u>	<u>RMB259,509</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Series C-2 Financing

On December 20, 2019, each of Shenzhen Songhe, Shenzhen Lingyu and Shenzhen Linghui entered into a capital increase agreement with our Company, 4Paradigm Beijing, 4Paradigm Technology, Shanghai Shishuo, Future Paradigm and Dr. Dai, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series C-2 Financing was completed on October 20, 2020. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Shenzhen Songhe	US\$20,000,000	RMB213,867
Shenzhen Lingyu	US\$20,000,000	RMB213,867
Shenzhen Linghui	US\$10,000,000	RMB106,933
Total	US\$50,000,000	RMB534,667

Series D Financing

On November 12, 2020, our Company, 4Paradigm Beijing, 4Paradigm Technology, Shanghai Shishuo, Dr. Dai and our Series D Pre-IPO Investors entered into a capital increase agreement, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series D Financing was completed on February 9, 2021, April 29, 2021, May 8, 2021 and July 9, 2021, respectively. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Boyu Jingtai ⁽¹⁾	RMB653,950,000	RMB899,212
PV Ivory Limited ⁽²⁾	US\$85,500,000	RMB768,826
Qiushi Xingde ⁽¹⁾	US\$14,500,000	RMB130,386
Parade II Technology Investment Company Limited ⁽²⁾	US\$80,000,000	RMB719,369
China-UAE Investment ⁽³⁾	US\$60,000,000	RMB539,527
HongShan Hanchen ⁽²⁾	US\$60,000,000	RMB539,527
CDBC Manufacturing Fund ⁽¹⁾	US\$45,000,000	RMB404,645
Jiangsu Jiequan ⁽¹⁾	US\$30,000,000	RMB269,763
Lucent Shanghai ⁽⁴⁾	RMB196,185,000	RMB269,763
MIC Capital ⁽⁴⁾	US\$21,000,000	RMB188,834
Hangzhou Fantong ⁽⁴⁾	US\$20,000,000	RMB179,842
CPE Investment (Hong Kong) 2018 Limited ⁽⁴⁾	US\$20,000,000	RMB179,842
JIC Tech-Inv ⁽⁴⁾	US\$15,000,000	RMB134,882
Zhuhai Jinyiming ⁽⁴⁾	US\$15,000,000	RMB134,882

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Beijing New Power ⁽⁴⁾	US\$15,000,000	RMB134,882
GS Asia II ⁽⁴⁾	US\$14,300,000	RMB128,587
Stonebridge 2020 ⁽⁴⁾	US\$5,700,000	RMB51,255
CITIC Jiantou (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) ⁽⁴⁾	US\$8,000,000	RMB71,937
CITIC Construction Investment ⁽⁴⁾	US\$4,000,000	RMB35,968
Fangyuan Chuangying ⁽⁴⁾	US\$10,000,000	RMB89,921
Haitong International Investment ⁽⁴⁾	US\$10,000,000	RMB89,921
Jiaxing Chenyue ⁽⁴⁾	US\$10,000,000	RMB89,921
Lianxiang Yangtze River ⁽⁴⁾	US\$6,900,000	RMB62,046
CITIC Securities Investment ⁽¹⁾	US\$6,000,000	RMB53,953
Growing Fame ⁽⁴⁾	US\$5,000,000	RMB44,961
Guangkong Zhongying ⁽¹⁾	US\$2,300,000	RMB20,682
Hainan BOCOM ⁽⁴⁾	US\$2,000,000	RMB17,984
NIFA No. 1 ⁽¹⁾	US\$2,000,000	RMB17,984
Dongkong Jinlong ⁽⁴⁾	US\$1,500,000	RMB13,488
Ningbo Huiyuan ⁽¹⁾	US\$1,300,000	RMB11,690
Total	<u>US\$700,000,000</u>	<u>RMB6,294,480</u>

Notes:

- (1) These 8 Series D Pre-IPO Investors completed the registration with AIC on February 9, 2021.
- (2) These 3 Series D Pre-IPO Investors completed the registration with AIC on April 29, 2021, among which PV Ivory Limited transferred all its rights, obligations and interest under the above capital increase agreement to its related party Xinhe No.1; Parade II Technology Investment Company Limited transferred all its rights, obligations and interests under the capital increase agreement to its related party Purui Tianjin.
- (3) China-UAE Investment completed the registration with AIC on May 8, 2021. China-UAE Investment transferred its shares in the Company to China-UAE Investment (Cayman), being its sole shareholder, on December 31, 2022.
- (4) These 18 Series D Pre-IPO Investors completed the registration with AIC on July 9, 2021.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Series D+ Financing

On April 25, 2021, Zhongyi Equity Fund entered into a capital increase agreement with our Company, 4Paradigm Beijing, 4Paradigm Technology, Shanghai Shishuo and Dr. Dai, pursuant to which the aforementioned Pre-IPO Investor agreed to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series D+ Financing was completed on July 9, 2021. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Zhongyi Equity Fund	<u>RMB325,000,000</u>	<u>RMB446,890</u>
Total	<u>RMB325,000,000</u>	<u>RMB446,890</u>

Series D+2 Financing

On June 30, 2021, our Company resolved to allow Hainan Yuanfengshang to invest in our Company by subscription of the increased registered capital of our Company. The registration with AIC in respect of Series D+2 Financing was completed on July 9, 2021. Details are set forth below:

Name of the Pre-IPO investor	Consideration	Registered capital subscribed/purchased
Hainan Yuanfengshang	<u>RMB25,000,000</u>	<u>RMB34,376</u>
Total	<u>RMB25,000,000</u>	<u>RMB34,376</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Principal terms of the Pre-IPO Investments and Pre-IPO Investors' Rights

The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

Round	Amount of registered capital increased (RMB)	Amount of registered capital after each round of Pre-IPO Investments (RMB)	Amount of consideration paid	Implied valuation of our Company ⁽¹⁾	Date of agreements/resolutions	Date of payment of full consideration	Cost per Share paid under the Pre-IPO investments (approximation) (US\$)	Discount to the Offer Price ⁽²⁾ (approximation)
Series A	1,800,724	12,004,824	US\$4,000,000	US\$26,666,666	August 5, 2015	December 7, 2016	0.14	98.10%
Series A-1	631,833	12,636,657	US\$3,500,000	US\$70,000,000	January 31, 2016	June 29, 2016	0.35	95.27%
Series A-2	1,308,153	13,944,810	RMB86,010,004	US\$139,863,129	July 15, 2016	November 9, 2016	0.64	91.36%
Series B-1	1,220,171	15,164,981	US\$35,000,000	US\$435,000,000	November 11, 2017	March 9, 2018	1.83	75.49%
Series B-2	418,344	15,583,325	US\$12,000,000	US\$447,000,000	December 28, 2017	August 31, 2018	1.83	75.49%
Series C	2,455,730	18,039,055	US\$157,587,054	US\$1,157,587,054	October 31, 2018	March 25, 2019	4.08	45.17%
Series C-1	259,509	19,051,774	US\$20,500,000	US\$1,520,500,000	July 31, 2019	March 25, 2020	5.03	32.50%
Series C-2	534,667	19,782,655	US\$50,000,000	US\$1,850,000,000	December 20, 2019	March 30, 2020	5.95	20.09%
Series D	6,294,480	26,077,135	US\$700,000,000	US\$2,900,000,000	November 12, 2020	May 28, 2021	7.08	4.97%
Series D+	446,890	27,827,882	RMB325,000,000	US\$2,949,697,989	April 25, 2021	July 13, 2021	7.08	4.97%
Series D+2	34,376	27,862,258	RMB25,000,000	US\$2,951,991,742	June 30, 2021	July 12, 2021	7.08	4.97%

Note:

- (1) The implied valuation is the value of our Company after the completion of the relevant Pre-IPO Investment, which is equal to the sum of the pre-money valuation and the amount of the relevant Pre-IPO Investment.
- (2) Calculated based on the assumption that the Offer Price is HK\$58.38 per Share (being the mid-point of the indicative Offer Price range of HK\$55.60 to HK\$61.16).

- (3) The increase from the implied valuation of Series A financing to the implied valuation of Series A-1 financing was mainly because we had a number of milestones during the period between the two financings. For example, we finished forming the core management and technical team and started serving our first lighthouse user in the finance industry in 2015 by offering application development and other services to develop intelligent product recommendation applications.
- (4) The increase from the implied valuation of Series A-1 financing to the implied valuation of Series A-2 financing was mainly because we started offering Sage Platform version 2.0, an end-to-end AI application development platform.
- (5) The increase from the implied valuation of Series A-2 financing to the implied valuation of Series B-1 and Series B-2 financings was mainly because we had a number of milestones during the period between the three financings. For example, we obtained the First Prize of the highest award in the PRC's AI field, Wu Wenjun AI Science and Technology Award (吳文俊創新一等獎) in December 2016. We started serving other financial institutions such as securities companies, and we started our collaboration with Bank A, one of the largest state-owned banks in China, since 2017 and helped Bank A establish risk control AI models by analyzing its users' historical transaction information, current transaction information and other relevant data. For details, please refer to the paragraph headed "Business – Use Cases of Our Solutions" in this prospectus.
- (6) The increase from the implied valuation of Series B-2 financing to the implied valuation of Series C financing was mainly because we had a number of milestones during the period between the two financings. For example, we secured purchase of solutions from Bank A in the amount of approximately RMB20 million in 2018 and continued to expand our offering to other users such as insurance companies, started offering Sage Platform version 3.0, an end-to-end AI application development platform, and partnered with a leading provider of AI-enabled solution around the world to establish AI laboratory, to explore and develop innovative AI platforms by leveraging the technical strengths and experience of the market player.
- (7) The increase from the implied valuation of Series C financing to the implied valuation of Series C-2 financing was mainly because we had a number of milestones during the period between the three financings. For example, we were able to expand our services quickly to address business needs of our users and the number of our lighthouse users increased from 18 in 2018 to 32 in 2019 and the average revenue per lighthouse user increased from RMB3.9 million to RMB8.3 million in 2019; and we recorded revenue of more than RMB100 million per annum for the year ended December 31, 2018, and commenced serving users in the retail and energy sectors.
- (8) The increase from the implied valuation of Series C-2 financing to the implied valuation of Series D, Series D+ and Series D+2 financings was mainly because we had a number of milestones during the period between the four financings. For example, we recorded revenue of RMB459.5 million for the year ended December 31, 2019 and experienced tremendous revenue growth of 259.7% when compared to 2018 driven by the increase of number of users and increased spending of our users, and we launched SageOne, our software-defined "All-in-One" solutions with pre-built Sage Platform and applications on servers and other related hardware in 2019. In 2020, we launched Sage AIOS, an AI operating system featuring user-friendly interface, standardized data processing, automated resource management and allocation and fully compatible middleware that are comparable to personal computer operation system and commenced serving users in manufacturing sectors, and we were selected as a global representative corporation in Gartner's Emerging Technologies and Trends Impact Radar.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Basis of determination of the valuation and consideration	The valuation and considerations for each round of Pre-IPO Investments were determined based on arm's length negotiation amongst the respective Pre-IPO Investors and our Group after taking into consideration of the timing of the investments and the status of our business operations.
Lock-up Period	Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them.
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, approximately 67.0% of the net proceeds from the Pre-IPO Investments have been utilized.
Strategic benefits to our Company brought by the Pre-IPO Investors	At the time of the relevant Pre-IPO Investments, our Directors were of the view that our Group could benefit from the additional funds provided by the Pre-IPO Investors' investments in our Group and the knowledge and experience of the Pre-IPO Investors.

Rights of the Pre-IPO Investors

The Pre-IPO Investors (other than Hainan Yuanfengshang, our Pre-IPO Investor in Series D+2 Financing) were granted customary special rights, including but not limited to (i) right of first refusal and co-sale, (ii) anti-dilution rights, (iii) liquidation rights, (iv) divestment rights and (v) information rights under the shareholders agreement dated May 31, 2021 (the "**Shareholders Agreement**"). Pursuant to a termination agreement entered into by our Company with our Pre-IPO Investors (other than Hainan Yuanfengshang, our Pre-IPO Investor in Series D+2 Financing) and the then Shareholders of the Company dated July 16, 2021 (the "**Termination Agreement**"), except for the divestment rights as described below, all other special rights shall cease to be effective and be discontinued upon Listing.

Pursuant to the Termination Agreement, our Pre-IPO Investors (other than Hainan Yuanfengshang, our Pre-IPO Investor in Series D+2 Financing) have agreed to terminate the relevant divestment rights granted by the Company and Dr. Dai under the Shareholders Agreement with effect immediately before submitting the application to CSRC for the initial public offering and the listing of its overseas-listed foreign shares (H Shares) on the Stock Exchange by the Company (the "**Listing Application**"), provided such divestment rights shall automatically be reinstated upon the earliest occurrence of any one of the following events: (a) the Company withdraws its Listing Application; (b) the Listing Application lapses and the Company does not submit renewed Listing Application within three months after the lapse; (c) the Company is unable to obtain approval from the CSRC or the relevant stock exchange (including but not limited to the Stock Exchange); or (d) the initial public offering and the listing and trading on stock exchange does not occur within 48 months after the completion of Series D Financing or 18 months after the date of the Termination Agreement, whichever is earlier.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On January 15, 2023 (the day before the automatic reinstatement of divestment rights under the Shareholders Agreement pursuant to the Termination Agreement as described above), our Pre-IPO Investors (other than Hainan Yuanfengshang, our Pre-IPO Investor in Series D+2 Financing) and the then Shareholders of the Company signed a supplemental agreement to the Termination Agreement (the “**Supplemental Agreement**”) to amend the terms of the Termination Agreement. Pursuant to the Supplemental Agreement, it is agreed that one of the events which trigger the automatic reinstatement of divestment rights under the Shareholders Agreement shall be changed from “the initial public offering and listing and trading on stock exchange does not occur within 48 months after the completion of Series D Financing or 18 months after the date of Termination Agreement, whichever is earlier” to “the initial public offering and listing and trading on stock exchange does not occur before December 30, 2023”. Except for such amendment, other terms (including other events which trigger the automatic reinstatement of divestment rights under the Shareholders Agreement) in the Termination Agreement remain unchanged.

On September 6, 2023, Dr. Dai, a Controlling Shareholder, entered into a deed of undertaking in favour of Boyu Jingtai, Xinhe No. 1 and Qiushi Xingde (the “**Right Holders**”), pursuant to which, each of the Right Holders are entitled to request Dr. Dai to purchase or cause to purchase the Domestic Shares held by each of them which are not qualified to be traded on the Stock Exchange (the “**Domestic Share Divestment Rights**”), in the event that (a) the Company cannot complete an A share listing within 36 months from the Listing Date, with a valuation of our Company (calculated using the A shares offer price and the total issued share capital of our Company at the relevant time) immediately prior to the A share listing of not less than US\$7.5 billion, and the number of A shares to be issued being not less than 10% of the enlarged issued share capital of our Company immediately after the A share listing (the “**Qualified A Share Listing**”), and (b) the Right Holders hold any Domestic Shares which are not qualified to be traded on the Stock Exchange at the relevant time.

In the event that the Domestic Share Divestment Rights are exercised, the purchase price to be payable by Dr. Dai for purchasing such Domestic Shares shall be based on a formula primarily with reference to the price per Domestic Share paid by each of the Right Holders when they subscribed for the Domestic Shares plus interest calculated based on a specified interest rate and the duration between the subscription of the Domestic Shares by the Right Holders and the purchase of the Domestic Shares by Dr. Dai, and any declared but unpaid dividends.

After due consideration of the offer size of the Global Offering, the liquidity and the number of H Shares to be converted from Unlisted Shares following the completion of the Global Offering, in addition to the Domestic Share Divestment Rights offered to the Rights Holders, Dr. Dai agrees and undertakes to each of the Right Holders to the effect of the following:

- (i) before the later of the completion of the Qualified A Share Listing and the aforementioned purchase of the Domestic Shares pursuant to the exercise of the Domestic Share Divestment Right (the “**Long Stop Date**”), without the prior written approval of the Right Holders, save as otherwise permitted, Dr. Dai will not, either directly or indirectly, transfer, pledge and create any encumbrance over his interest in the Shares as at the Listing Date (being 106,164,523 Domestic Shares directly held by Dr. Dai, and his 99% interest in Beijing New Wisdom which in turn holds 0.3209% partnership interest in Paradigm Investment and 0.0723% partnership interest in Paradigm Yinyuan); and

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (ii) the Interested DSM shall be permitted to, either directly or indirectly, dispose of no more than 15% of their interest in the underlying Shares as at the Listing Date (representing 6,810,172 underlying Domestic Shares in aggregate). The Right Holders' prior consent will be required if the Interested DSM, either directly or indirectly, dispose of their interest over the aforesaid limit before the Long Stop Date. The Interested DSM have given undertakings to such effect.

Our Shareholders which hold Domestic Shares are subject to significantly different risks, relating to the lack of liquidity of such Domestic Shares they invested in if our planned A share listing in the PRC does not proceed, compared to investors in the Global Offering who invest in H Shares. Domestic Share Divestment Rights offered to Boyu Jingtai, Xinhe No. 1 and Qiushi Xingde were retained to cater for such risks which investors in the Global Offering are not subject to. In addition, Dr. Dai as our Controlling Shareholder bears the corresponding purchase obligation and such purchase will not be funded by our Company. Therefore, the Domestic Share Divestment Rights offered to Boyu Jingtai, Xinhe No. 1 and Qiushi Xingde do not fall within Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and can survive the Listing.

Sole Sponsor's Confirmation

On the bases that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange; and (ii) the special rights granted to the Pre-IPO Investors shall cease to be effective and be discontinued upon the Listing (save for the divestment rights as described above), the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

Information about our Pre-IPO Investors

Set out below is a description of our principal Pre-IPO Investors, being private equity funds and corporations, and that have made meaningful investments in our Company (each holding more than 1.00% of our total issued and outstanding Shares immediately prior to the Global Offering.

HongShan Venture

SCC Venture V-Mars (HK) Limited is a limited liability company incorporated in Hong Kong on December 8, 2014. HongShan Venture has an investment size of US\$5.4 million. As of the Latest Practicable Date, the sole shareholder of HongShan Venture was Sequoia Capital China Venture Fund V, L.P., whose general partner is SC China Venture V Management, L.P.. None of the limited partners of Sequoia Capital China Venture Fund V, L.P. has more than 30.0% of partnership interest in Sequoia Capital China Venture Fund V, L.P.. SC China Holding Limited is the general partner of SC China Venture V Management, L.P., and is wholly owned by SNP China Enterprises Limited, which is in turn wholly owned by Mr. Neil Nanpeng Shen, our former Director.

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HongShan Hanchen, HongShan Mingde and HongShan Zhisheng

Shenzhen HongShan Hanchen Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC on September 29, 2019. HongShan Hanchen has a registered capital of approximately RMB12 billion and a paid-in capital of approximately RMB12.2 billion, focusing on the investments in technology, media and telecommunication, healthcare, consumer goods and modern services sectors. Shenzhen HongShan Antai Equity Investment Partnership (Limited Partnership) (深圳紅杉安泰股權投資合夥企業(有限合夥)) (“**HongShan Antai**”), a limited partnership established in the PRC, is the general partner of HongShan Hanchen. HongShan Antai is ultimately controlled by Mr. Zhou Kui (周逵). The only limited partner of HongShan Hanchen is Shenzhen HongShan Yuechen Investment Partnership (Limited Partnership) (深圳紅杉悅辰投資合夥企業(有限合夥)), holding approximately 99.9% of partnership interest in HongShan Hanchen. To the best knowledge of our Directors, each of Mr. Zhou Kui, HongShan Hanchen’s general partner and limited partner is an Independent Third Party.

Beijing HongShan Mingde Equity Investment Center (Limited Partnership) is a limited partnership established in the PRC on June 17, 2015. HongShan Mingde has a registered capital of approximately RMB6 billion and a paid-in capital of approximately RMB5.1 billion, focusing on the investments in technology, media and telecommunication, healthcare, consumer goods and modern services sectors. Beijing HongShan Kunde Investment Management Center (Limited Partnership) (北京紅杉坤德投資管理中心(有限合夥)) (“**HongShan Kunde**”), a limited partnership established in the PRC, is the general partner of HongShan Mingde. HongShan Kunde is ultimately controlled by Mr. Zhou Kui (周逵). HongShan Mingde has two limited partners and its largest limited partner is Beijing HongShan Shengde Equity Investment Center (Limited Partnership) (北京紅杉盛德投資中心(有限合夥)), holding approximately 66.7% of partnership interest in HongShan Mingde. To the best knowledge of our Directors, each of Mr. Zhou Kui, HongShan Mingde’s general partner and limited partners is an Independent Third Party.

Ningbo Meishan Bonded Zone HongShan Zhisheng Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC on August 9, 2017. HongShan Zhisheng has a registered capital of approximately RMB7.5 billion and a paid-in capital of approximately RMB5.7 billion, focusing on the investments in technology, media and telecommunication, healthcare, consumer goods and modern services sectors. Jiaying HongShan Kunsheng Investment Management Partnership (Limited Partnership) (嘉興紅杉坤盛投資管理合夥企業(有限合夥)) (“**HongShan Kunsheng**”), a limited partnership established in the PRC, is the general partner of HongShan Zhisheng. HongShan Kunsheng is ultimately controlled by Mr. Zhou Kui (周逵). HongShan Zhisheng has two limited partners and its largest limited partner is Ningbo Meishan Bonded Zone HongShan Mingsheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區紅杉銘盛股權投資合夥企業(有限合夥)), holding approximately 60.0% of partnership interest in HongShan Zhisheng. To the best knowledge of our Directors, each of Mr. Zhou Kui, HongShan Zhisheng’s general partner and limited partners is an Independent Third Party.

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Boyu Jingtai

Boyu Jingtai (Shanghai) Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC on December 28, 2016. Boyu Jingtai has approximately RMB7.9 billion assets under management focusing on the investments in consumer goods and retail, financial services, healthcare, technology, media and business services sectors. Boyu Jingtai (Shanghai) Enterprise Management Co., Ltd., a limited liability company established in the PRC, is the general partner of Boyu Jingtai and ultimately controlled by Huang Ailian (黃愛蓮) and Tao Rong (陶融). Boyu Jingtai has 22 limited partners and its largest limited partner is National Council for Social Security Fund (全國社會保障基金理事會), an Independent Third Party. To the best knowledge of our Directors, each of Huang Ailian, Tao Rong, Boyu Jingtai, its general partner and limited partners is an Independent Third Party.

Guoxin Qidi

Henan Guoxin Qidi Equity Investment Fund (Limited Partnership) is a limited partnership established in the PRC on August 2, 2017. Guoxin Qidi is a Renminbi venture capital fund with approximately RMB2.05 billion assets under management. It focuses on the investments in technology, media and telecommunication, healthcare and new energy sectors. Its invested companies include Cambricon Technologies Corporation Limited (中科寒武紀科技股份有限公司) (SHSE: 688256), Shenzhen Vp Information Technology Co., Ltd. (深圳微品致遠信息科技有限公司) and Shenzhen Pharmacin Co., Ltd. (深圳市藥欣生物科技有限公司). Henan Guoxin Qidi Fund Management Co., Ltd., a limited liability company established in the PRC, is the general partner of Guoxin Qidi. Guoxin Qidi has six limited partners and its largest limited partners are Henan Province Modern Service Industry Investment Fund Co., Ltd. (河南省現代服務業產業投資基金有限公司), Enlightenment Technology Service Co., Ltd. (啟迪科技服務有限公司) and China State-owned Capital VC Fund Co., Ltd. (中國國有資本風險投資基金股份有限公司), each holding approximately 25.0% of partnership interest in Guoxin Qidi. To the best knowledge of our Directors, each of Tsinghua University, Guoxin Qidi, its general partner and limited partners is an Independent Third Party.

Xinhe No. 1

Xinhe No. 1 (Tianjin) Technology Center (Limited Partnership) is a limited partnership established in the PRC on January 26, 2021. Xinhe No.1 is an investment fund focusing on the investments in technology, media and telecommunication sectors with a fund size of RMB701 million. Chunhua Mingde (Tianjin) Equity Investment Management Partnership (Limited Partnership) (春華明德(天津)股權投資管理合夥企業(有限合夥)) (“**Chunhua Mingde**”), a limited partnership established in the PRC, is the general partner of Xinhe No. 1 and is controlled by its general partner, Chunhua (Tianjin) Equity Investment Management Limited (春華(天津)股權投資管理有限公司) (“**Chunhua Tianjin**”), which is ultimately controlled by an individual, who is an Independent Third Party. Chunhua Tianjin is a private equity fund manager registered with the AMAC with the registration number P1001073. Chunhua Xinhe (Tianjin) Equity Investment Management Partnership (春華信和(天津)股權投資合夥企業(有限合夥)) (“**Chunhua Xinhe**”), a limited partnership in the PRC, is the limited partner of Xinhe

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No.1. The general partner of Chunhua Xinhe is Chunhua Mingde, which is also controlled by Chunhua Tianjin, and Chunhua Xinhe has one limited partner which is Primavera Capital Fund III L.P., holding approximately 99.9% of partnership interest in Chunhua Xinhe. Primavera Capital Fund III L.P. is ultimately controlled by Mr. Fred Zulu Hu. To the best knowledge of our Directors, each of Xinhe No.1, its general partner, limited partner, ultimate beneficial owner and Chunhua Tianjin is an Independent Third Party.

Purui Tianjin

Purui Enterprise Management (Tianjin) Partnership (Limited Partnership) is a limited partnership established in the PRC on February 4, 2021. Purui Tianjin is an investment fund focusing on the investments in technology sector with a fund size of RMB600 million. Purui Management Consulting (Tianjin) Co., Ltd. (樸瑞管理諮詢(天津)有限公司) (“**Purui Management**”), a limited liability company established in the PRC, is the general partner of Purui Tianjin and is ultimately controlled by individuals, who are Independent Third Parties. Purui Tianjin has one limited partner, Purui Equity Investment (Tianjin) Partnership (Limited Partnership) (樸瑞股權投資(天津)合夥企業(有限合夥)) (“**Purui Investment**”). Purui Investment is a limited partnership in the PRC, and Purui Management is also the general partner of Purui Investment. 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. To the best knowledge of our Directors, each of Purui Tianjin, its general partner, limited partner and ultimate beneficial owners is an Independent Third Party.

YSC Investment I

YSC Investment I (HK) Limited is a limited liability company incorporated in Hong Kong on January 15, 2016, which was owned as to 100% by YSC Investment I (BVI) Ltd., which is held as to approximately 55.6% by Tencent Mobility Limited and 44.4% by Genesis Capital I LP. Tencent Mobility Limited is a wholly-owned subsidiary of Tencent Holdings Limited, a company listed on the Stock Exchange (SEHK: 700). The general partner of Genesis Capital I LP is Genesis Capital Ltd. which is ultimately controlled by Peng Zhijian (彭志堅), who was our former director until July 9, 2021, and currently serves as YSC Investment I’s director. YSC Investment I is an investment vehicle with an investment size of US\$18 million.

Prior to July 9, 2021, Peng Zhijian was a director nominated by YSC Investment I to our Board as its representative as a result of its investment in our Company and was not involved in day-to-day management of our Group. For the preparation of the Listing, the Company reviewed its board composition and Mr. Peng decided to resign as a director of the Company on his own accord after due consideration to accommodate the Company’s plan for streamlining the board structure. Mr. Peng does not have any role in the Group or its associates after the aforementioned resignation.

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China-UAE Investment (Cayman)

China-UAE Investment Cooperation (Cayman) Holdings Limited is held by China-UAE Investment Cooperation Fund, L.P.. The limited partnership interest of China-UAE Investment Cooperation Fund L.P. is held as to 50.0% by Seventy Seventh Investment Company L.L.C., 42.5% by China Development Bank International Holdings Limited (國開國際控股有限公司) and 7.5% by Upright Rhythm Limited. Seventy Seventh Investment Company L.L.C. is ultimately controlled by the Government of the Emirate of Abu Dhabi, China Development Bank International Holdings Limited is ultimately controlled by MOF. Upright Rhythm Limited is ultimately controlled by SAFE. China-UAE Investment (Cayman) is an investment vehicle focusing on the investment in technology, media and telecommunication sectors with an investment size of US\$60 million. To the best knowledge of our Directors, each of MOF, China-UAE Investment (Cayman), China-UAE Investment Cooperation Fund L.P., Seventy Seventh Investment Company L.L.C., China Development Bank International Holdings Limited and Upright Rhythm Limited is an Independent Third Party.

Beijing Innovation

Beijing Innovation Works VC Center (Limited Partnership) is a limited partnership established in the PRC on May 22, 2015. Beijing Innovation has approximately RMB2.5 billion assets under management focusing on the investments in media and telecommunication, e-learning, online retail, supply chain management and AI technology sectors. Beijing Huliao 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)), holding approximately 35.1% of partnership interest in Beijing Innovation. To the best knowledge of our Directors, each of Li Puyu, Beijing Innovation, its general partner and limited partners is an Independent Third Party.

Zhuhai Hongmai

Zhuhai Hongmai Enterprise Management Partnership (General Partnership) is a general partnership established in the PRC on December 15, 2020, focusing on the investments in technology, media and telecommunication sectors with a registered capital of approximately RMB214.7 million. Zhuhai Jiaxun Equity Interest Investment Fund Partnership (Limited Partnership) (珠海嘉勳股權投資基金合夥企業(有限合夥)) (“**Zhuhai Jiaxun**”), a limited partnership established in the PRC, is one of the general partners and the sole executive partner of Zhuhai Hongmai and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) (“**SASAC**”). Zhuhai Hongmai’s other two general partners, Langma No. 27 (Shenzhen) VC Center (Limited Partnership) (朗瑪二十七號(深圳)創業投資中心(有限合夥)) (“**Langma No. 27**”) and Langma No. 28 (Shenzhen) VC Center (Limited Partnership) (朗瑪二十八號(深圳)創

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業投資中心(有限合夥)) (“**Langma No. 28**”), are both ultimately controlled by Xiao Jiancong (肖建聰). To the best knowledge of our Directors, each of Zhuhai Hongmai, Zhuhai Jiaxun, Langma No. 27 and Langma No. 28, SASAC and Xiao Jiancong is an Independent Third Party.

Sinovation Fund III

Sinovation Fund III, L.P. is a limited partnership incorporated in the Cayman Islands on January 27, 2015. Sinovation Fund III has over US\$302 million assets under management focusing on the AI technology, e-learning, consumer goods and business-to-business sales sectors. Sinovation Fund Management III, L.P. is the general partner of Sinovation Fund III and ultimately controlled by Kai-Fu Lee (李開復). Sinovation Fund III has 50 limited partners and none of which has more than 30.0% of partnership interest in Sinovation Fund III. To the best knowledge of our Directors, each of Kai-Fu Lee, Sinovation Fund III, its general partner and limited partners is an Independent Third Party.

CDBC Manufacturing Fund

CDBC Manufacturing Transformation and Upgrading Fund (Limited Partnership) is a limited partnership established in the PRC on May 26, 2020. CDBC Manufacturing Fund is an investment fund focusing on the investments in new generation of information technology (NGIT) and electric power equipment manufacturing industry with a fund size of RMB50.1 billion and its portfolio companies include SenseTime Group Inc. (商湯集團股份有限公司), Haier COSMOPlat Co., Ltd. (海爾卡奧斯股份有限公司). CDBC Investment Fund Management Co., Ltd. (國開投資基金管理有限責任公司), a limited liability company established in the PRC, is the general partner and sole executive partner of CDBC Manufacturing Fund and ultimately controlled by MOF. CDBC Manufacturing Fund has one limited partner, National Manufacturing Transformation and Upgrade Fund Co., Ltd. (國家製造業轉型升級基金股份有限公司), holding approximately 99.8% of partnership interest in CDBC Manufacturing Fund. To the best knowledge of our Directors, each of MOF, CDBC Manufacturing Fund, its general partner and limited partner is an Independent Third Party.

Ruihui Haina

Beijing Ruihui Haina Technology Industry Fund (Limited Partnership) is a limited partnership established in the PRC on August 28, 2017. Ruihui Haina has approximately RMB5 billion investment under management focusing on the investments in new energy, finance technology, AI technology, and internet sectors. Its invested companies include JUMSTC Holding Limited (江蘇普飛科特信息科技有限公司) and DAS Solar Co., Ltd (一道新能源科技(股份)有限公司). Jiangxia Xintai (Beijing) Private Equity Fund Management Co., Ltd. (江峽鑫泰(北京)私募基金管理有限責任公司), a limited liability company established in the PRC, is the general partner and sole executive partner of Ruihui Haina and controlled by Three Gorges Capital Holdings Co., Ltd. (三峽資本控股有限責任公司), which is ultimately controlled by the SASAC, and Beijing Haiguo Xintai Capital Holdings Ltd. (北京海國鑫泰資本控股有限責任公司) which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Beijing Haidian People’s Government (北京市海澱區人民政府國有資產監督管

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理委員會)。Ruihui Haina has seven limited partners and its largest limited partners are Beijing Haidian District State-owned Assets Investment Operation Co., Ltd. (北京市海澱區國有資產投資經營有限公司) and Three Gorges Capital Holdings Co., Ltd. (三峽資本控股有限責任公司), each holding approximately 40.0% of partnership interest in Ruihui Haina. To the best knowledge of our Directors, each of Three Gorges Capital Holding Co., Ltd., Beijing Haiguo Xintai Capital Holdings Ltd., Ruihui Haina, its general partner, limited partners and ultimate beneficial owners is an Independent Third Party.

THE A SHARE LISTING

We plan to conduct the offering and listing of A shares at an appropriate time after the Global Offering. As of the Latest Practicable Date, we have not determined the size and scope of the contemplated A share offering and have not made any application to any recognized stock exchange in the PRC for approval for the listing of any A shares. There is no assurance that we will conduct an A share offering in the future. For details, see “Risk Factors – We plan to conduct the offering and listing of A shares at an appropriate time after the Global Offering, but there is no assurance that we will conduct such an A share offering, and the characteristics of the A share and H share markets are different” and “History, Development and Corporate Structure – Rights of the Pre-IPO Investors”.

PUBLIC FLOAT

The 330,418,283 Unlisted Shares (other than those held by HongShan Venture, Guoxin Qidi, Purui Tianjin, Beijing Innovation, Zhongyi Equity Fund, Sinovation Fund III, Ruihui Haina, NIFA No. 1, Value Global, Shanghai Saixin Business Consulting Management Center (Limited Partnership), Guangxi Tencent Venture Capital Co., Ltd., Hangzhou Fantong, Hubei Boheng, Guangzhou Yuexiu Emerging Industry Phase II Investment Fund Partnership (Limited Partnership), GS Asia II, Zhuhai Zhongyu Investment Enterprise (Limited Partnership), Guangkong Zhongying, Fangyuan Chuangying, Haitong International Investment, Jiaxing Chenyue, Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Investment Fund Partnership (Limited Partnership), Cisco China, Stonebridge 2020, Growing Fame, Guangzhou Yuexiu Nuocheng No. 8 Industrial Investment Partnership (Limited Partnership), CITIC Construction Investment, Ningbo Huiyuan, Dongkong Jinlong, and LF Beta, which will be converted into H Shares and listed following the completion of the Global Offering), representing approximately 74.14% of our total issued Shares as of the Latest Practicable Date, or approximately 71.20% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), or approximately 70.78% of our total issued Shares upon exercise of the Over-allotment Option in full, will not be considered as part of the public float as the Shares they hold are Unlisted Shares which will not be converted into H Shares and listed following the completion of the Global Offering.

The 115,246,250 Unlisted Shares held by HongShan Venture, Guoxin Qidi, Purui Tianjin, Beijing Innovation, Zhongyi Equity Fund, Sinovation Fund III, Ruihui Haina, NIFA No. 1, Value Global, Shanghai Saixin Business Consulting Management Center (Limited Partnership), Guangxi Tencent Venture Capital Co., Ltd., Hangzhou Fantong, Hubei Boheng, Guangzhou

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Yuexiu Emerging Industry Phase II Investment Fund Partnership (Limited Partnership), GS Asia II, Zhuhai Zhongyu Investment Enterprise (Limited Partnership), Guangkong Zhongying, Fangyuan Chuangying, Haitong International Investment, Jiaxing Chenyue, Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Investment Fund Partnership (Limited Partnership), Cisco China, Stonebridge 2020, Growing Fame, Guangzhou Yuexiu Nuocheng No. 8 Industrial Investment Partnership (Limited Partnership), CITIC Construction Investment, Ningbo Huiyuan, Dongkong Jinlong, and LF Beta, representing approximately 25.86% of our total issued Shares as at the Latest Practicable Date, or approximately 24.83% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised), or approximately 24.69% of our total issued Shares upon exercise of the Over-allotment Option in full, will be converted into H Shares and listed following the completion of the Global Offering. As these entities will not be core connected person of our Company upon Listing, are not accustomed to take instructions from core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by core connected persons, the H Shares held by them will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders could not dispose of any of the Shares held by them.

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. Rule 8.08(1)(b) of the Listing Rules provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalization at the time of listing of not less than HK\$125,000,000.

Based on the above, it is expected that immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the total number of listed H Shares held by the public represents approximately 28.80% of our total issued Shares upon Listing. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08.

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CAPITALIZATION OF OUR COMPANY

Upon completion of the Pre-IPO Investments as described above, a number of capital increases and equity interest transfers among shareholders of the Company and conversion of our Company into a joint stock limited company, the table below is a summary of the capitalization of our Company as of the Latest Practicable Date and the Listing Date (assuming the Over-Allotment Option is not exercised):

Shareholders	Number of Shares	Ownership percentage as of the Latest Practicable Date	Ownership percentage as of the Listing Date
Dr. Dai ^(A)	106,164,523	23.82%	22.88%
Paradigm Investment ^(A)	63,962,734	14.35%	13.78%
HongShan Venture ^(B)	32,259,066	7.24%	6.95%
Boyu Jingtai ^(A)	14,126,295	3.17%	3.04%
Guoxin Qidi ^(B)	12,117,394	2.72%	2.61%
Xinhe No. 1 ^(A)	12,077,978	2.71%	2.60%
Purui Tianjin ^(B)	11,301,027	2.54%	2.44%
Paradigm Yinyuan ^(A)	10,105,649	2.27%	2.18%
YSC Investment I ^(A)	9,858,049	2.21%	2.12%
China-UAE Investment (Cayman) ^(A)	8,475,774	1.90%	1.83%
HongShan Hanchen ^(A)	8,475,774	1.90%	1.83%
Nanjing Paradigm ^(A)	7,958,544	1.79%	1.71%
Beijing Innovation ^(B)	7,115,539	1.60%	1.53%
Zhuhai Hongmai ^(A)	7,030,079	1.58%	1.51%
Zhongyi Equity Fund ^(B)	7,020,480	1.58%	1.51%
Sinovation Fund III ^(B)	6,476,628	1.45%	1.40%
CDBC Manufacturing Fund ^(A)	6,356,827	1.43%	1.37%
HongShan Mingde ^(A)	6,352,978	1.43%	1.37%
Ruihui Haina ^(B)	4,896,176	1.10%	1.06%
Jiangsu Jiequan ^(A)	4,237,879	0.95%	0.91%
Lucent Shanghai ^(A)	4,237,879	0.95%	0.91%
NIFA No. 1 ^(D)	4,162,080	0.93%	0.90%
HongShan Zhisheng ^(A)	4,112,972	0.92%	0.89%
Qingdao Chuangxin Venture Capital Enterprise (Limited Partnership) ^(A)	3,802,047	0.85%	0.82%
BOCOM International Holdings Company Limited ^(A)	3,672,128	0.82%	0.79%
Zhuhai Xuren ^(A)	3,515,032	0.79%	0.76%
Major Awesome ^(A)	3,442,422	0.77%	0.74%
Gongqingcheng Yuanchun Investment Management Partnership (Limited Partnership) ^(A)	3,391,428	0.76%	0.73%
Shenzhen Songhe ^(A)	3,359,773	0.75%	0.72%

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Shareholders	Number of Shares	Ownership percentage as of the Latest Practicable Date	Ownership percentage as of the Listing Date
Shenzhen Lingyu ^(A)	3,359,773	0.75%	0.72%
Value Global ^(B)	3,286,016	0.73%	0.71%
Shanghai Saixin Business Consulting Management Center (Limited Partnership) ^(B)	3,231,551	0.72%	0.70%
Guangxi Tencent Venture Capital Co., Ltd. ^(D)	3,107,791	0.70%	0.67%
MIC Capital ^(A)	2,966,514	0.67%	0.64%
Hangzhou Fantong ^(B)	2,825,253	0.63%	0.61%
CPE Investment (Hong Kong) 2018 Limited ^(A)	2,825,253	0.63%	0.61%
Hubei Boheng ^(B)	2,738,347	0.61%	0.59%
JIC Tech-Inv ^(A)	2,118,947	0.48%	0.46%
Zhuhai Jinyiming ^(A)	2,118,947	0.48%	0.46%
Beijing New Power ^(A)	2,118,947	0.48%	0.46%
Guangzhou Yuexiu Emerging Industry Phase II Investment Fund Partnership (Limited Partnership) ^(B)	2,112,208	0.47%	0.46%
Qiushi Xingde ^(A)	2,048,317	0.46%	0.44%
GS Asia II ^(B)	2,020,055	0.45%	0.44%
CNCB (Hong Kong) Investment Limited ^(A)	1,988,683	0.45%	0.43%
Beijing Lianxiang Smart Internet Innovation Fund Partnership (Limited Partnership) ^(A)	1,871,693	0.42%	0.40%
Shenzhen Linghui ^(A)	1,679,879	0.38%	0.36%
Zhuhai Zhongyu Investment Enterprise (Limited Partnership) ^(B)	1,678,669	0.38%	0.36%
Zhuhai Huiyuan Investment Partnership (Limited Partnership) ^(A)	1,658,357	0.37%	0.36%
CITIC Securities Investment ^(A)	1,550,588	0.35%	0.33%
Guangkong Zhongying ^(B)	1,420,246	0.32%	0.31%
Fangyuan Chuangying ^(B)	1,412,626	0.32%	0.30%
Haitong International Investment ^(B)	1,412,626	0.32%	0.30%
Jiaxing Chenyue ^(B)	1,412,626	0.32%	0.30%
Nongwan Investment ^(A)	1,153,936	0.26%	0.25%
Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Investment Fund Partnership (Limited Partnership) ^(B)	1,130,104	0.25%	0.24%

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Shareholders	Number of Shares	Ownership percentage as of the Latest Practicable Date	Ownership percentage as of the Listing Date
Chance Talent ^(A)	1,095,339	0.24%	0.24%
Cisco China ^(B)	994,342	0.22%	0.21%
Lianxiang Yangtze River ^(A)	974,720	0.22%	0.21%
Jinshi Jinrui ^(A)	878,766	0.20%	0.19%
Stonebridge 2020 ^(B)	805,198	0.18%	0.17%
Tibet Lingfeng ^(A)	761,572	0.17%	0.16%
Growing Fame ^(B)	706,321	0.16%	0.15%
Jinshi Haofeng ^(A)	703,006	0.16%	0.15%
Jinshi Zhiyu ^(A)	703,006	0.16%	0.15%
Guangzhou Yuexiu Nuocheng No. 8 Industrial Investment Partnership (Limited Partnership) ^(B)	626,139	0.14%	0.13%
CITIC Construction Investment ^(B)	565,044	0.13%	0.12%
Hainan Yuanfengshang ^(A)	540,035	0.12%	0.12%
Ningbo Huiyuan ^(D)	306,668	0.07%	0.07%
Hainan BOCOM ^(A)	282,522	0.06%	0.06%
Dongkong Jinlong ^(B)	211,892	0.05%	0.05%
LF Beta ^(B)	196,857	0.04%	0.04%
Investors taking part in the Global Offering	18,396,000 ^(C)	–	3.96%
Total	464,060,533	100.00%	100.000%

Remarks

- A. The Shares held by these Shareholders are Unlisted Shares and will not be converted to H Shares upon Listing.
- B. The Shares held by these Shareholders are Unlisted Shares and will be converted to H Shares upon Listing.
- C. This refers to the number of Shares to be held by Investors taking part in the Global Offering as of the Listing Date (assuming the Over-Allotment Option is not exercised).
- D. Among 4,162,080 Unlisted Shares held by NIFA No. 1, 3,433,813 Unlisted Shares will be converted to H Shares upon Listing.

Among 3,107,791 Unlisted Shares held by Guangxi Tencent Venture Capital Co., Ltd., 1,716,985 Unlisted Shares will be converted to H Shares upon Listing.

Among 306,668 Unlisted Shares held by Ningbo Huiyuan, 123,022 Unlisted Shares will be converted to H Shares upon Listing.

Notes:

- (1) Dr. Dai is Chairman of the Board, an executive Director, Chief Executive Officer, General Manager and one of our Controlling Shareholders. For further information, please see the sections headed “Directors, Supervisors and Senior Management – Executive Directors” and “Relationship with our Controlling Shareholders” in this Prospectus.
- (2) Paradigm Investment is a limited partnership established in the PRC on March 29, 2018 as the Employment Incentive Platform and one of our Controlling Shareholders. For further information, please see the section headed “Statutory and General Information – Further Information about Our Directors, Supervisors, Senior Management and Substantial Shareholders – 5. Employee Incentive Schemes” in Appendix VI to this Prospectus.
- (3) HongShan entities includes the following entities of HongShan:
 - i. HongShan Hanchen, a limited partnership established in the PRC on September 29, 2019;
 - ii. HongShan Mingde, a limited partnership established in the PRC on June 17, 2015; and
 - iii. HongShan Zhisheng, a limited partnership established in the PRC on August 9, 2017.For further information, please see the paragraphs headed “– Pre-IPO Investments” in this section.
- (4) Boyu Jingtai is a limited partnership established in the PRC on December 28, 2016. For further information, please see paragraphs headed “– Pre-IPO Investments” in this section.
- (5) Guoxin Qidi is a limited partnership established in the PRC on August 2, 2017. For further information, please see the paragraphs headed “– Pre-IPO Investments” in this section.
- (6) Xinhe No. 1 is a limited partnership established in the PRC on January 26, 2021. For further information, please see the paragraphs headed “– Pre-IPO Investments” in this section.
- (7) Purui Tianjin is a limited partnership established in the PRC on February 4, 2021. For further information, please see the paragraphs headed “– Pre-IPO Investments” in this section.
- (8) Paradigm Yinyuan is a limited partnership established in the PRC on April 21, 2021 as one of our Controlling Shareholders.
- (9) YSC Investment I is a limited liability company incorporated in Hong Kong on January 15, 2015. For further information, please see the paragraphs headed “– Pre-IPO Investments” in this section.
- (10) China-UAE Investment (Cayman) is a limited liability company incorporated in the Cayman Islands. For further information, please see the paragraphs headed “– Pre-IPO Investments” in this section.
- (11) The remaining interest is held by the other Pre-IPO Investors. For further information, please see the paragraphs headed “– Pre-IPO Investments” in this section.

- (12) The remaining 34% interest in Guangzhou Jianxin is held by Guangzhou Shibei Commercial Partnership (Limited Partnership)* (廣州市拾貝商業合夥企業(有限合夥)) (“**Guangzhou Shibei**”) as to approximate 23.97% and Guangzhou Jianyun Enterprise Management Center (Limited Partnership)* (廣州市健雲企業管理中心(有限合夥)) (“**Guangzhou Jianyun**”) as to approximate 10.03%. The general partner of Guangzhou Shibei is Tang Piaolin (唐票林), who is one of the directors of Guangzhou Jianxin. The general partners of Guangzhou Jianyun are Tang Piaolin (唐票林), Zhang Zhenghua (張振華), Liu Yong (劉勇), Zeng Min (曾敏), Jiang Feiyong (蔣飛勇), and other 15 Independent Third Parties. Tang Piaolin (唐票林), Zhang Zhenghua (張振華) and Liu Yong (劉勇) are the directors of Guangzhou Jianxin, and Zeng Min (曾敏) and Jiang Feiyong (蔣飛勇) are the supervisors of Guangzhou Jianxin.
- (13) The remaining 49% interest in Zhongyuan Putai is held by Shanghai Shima New Energy Vehicle Technology Co., Ltd.* (上海士碼新能源汽車科技有限公司) (“**Shanghai Shima**”) as to 24.5% and Beijing Zhengchang Intelligent Technology Partnership (Limited Partnership)* (北京正長智能科技合夥企業(有限合夥)), an Independent Third Party, as to 24.5%. Shanghai Shima is held as to 90% by Ma Bao (馬寶), who is a director of Zhongyuan Putai, and 10% by an Independent Third Party.
- (14) The remaining 30% interest in Zhimei Xinchuang is held by Hu Shiwei, our senior management member. Hu Shiwei has agreed to act in concert with the Group. Therefore, the Group is able to exercise an additional 30% voting power in Zhimei Xinchuang. Please refer to Note 1 to Accountant’s Report included in Appendix I to this Prospectus for details.
- (15) The remaining 43.16% interest in Ideal Technology is held by Qi Lianxu (齊連旭) as to 17.58%, Hainan Ideal Technology Partnership (Limited Partnership)* (海南理想科技合夥企業(有限合夥)) (“**Hainan Ideal Technology**”) as to 17.05% and Hainan Haikuo Technology Partnership (Limited Partnership)* (海南海闊科技合夥企業(有限合夥)) (“**Hainan Haihuo Technology**”) as to 8.53%. Qi Lianxu (齊連旭) is a director of Ideal Technology, and the general partner of Hainan Ideal Technology and Hainan Haihuo Technology.
- (16) As at the Latest Practicable Date, Paradigm Chuqi is interested in Paradigm Investment. The general partner of Paradigm Chuqi is Beijing New Wisdom.
- (17) As at the Latest Practicable Date, Paradigm Tianqin is interested in Paradigm Yinyuan. The general partner of Paradigm Yinyuan is Beijing New Wisdom.
- (18) 4Paradigm Beijing transferred its 100% equity interest in 4Paradigm Shenzhen to our Company. The registration with AIC for the equity interest transfer was completed on August 26, 2021.
- (19) Wuhan Jianxin Technology Co., Ltd. was known as Yichang Jianxin Technology Co., Ltd. before September 9, 2021.
- (20) The remaining 49% interest in Hefei Shanyue is held by (Lenovo) Beijing Co., Ltd. (聯想(北京)有限公司) as to 34% and Lianbao (Hefei) Electronic Technology Co., Ltd. (聯寶(合肥)電子科技有限公司) as to 15%, both of which are Independent Third Parties.
- (21) The Group acquired 79.66% interest in EpicHust in June 2022. The remaining 20.34% interest in EpicHust is owned as to 7.05% by Wuhan Huangong Venture Capital Co., Ltd. (武漢華工創業投資有限責任公司), 3.84% by Hainan Guangfengyuan Investment Partnership (Limited Partnership) (海南廣豐源投資合夥企業(有限合夥)), 3.66% by Wuhan Gonghua Maisi Software Development Co., Ltd. (武漢工華邁思軟件開發有限公司), 3.04% by Wuhan Gonghua Digital Technology Co., Ltd. (武漢工華數字技術有限公司) and 2.75% by Qianhai Guangmao International Investment Holding (Shenzhen) Co., Ltd. (前海廣貿國際投資控股(深圳)有限公司), all of which are Independent Third Parties.

- (22) The remaining 6% interest in Wuxi EpicHust Intelligent Technology Co., Ltd. is held by Wuxi Hust Industrial Incubation Co., Ltd.* (無錫華科大產業孵化有限公司), an Independent Third Party.
- (23) As at the Latest Practicable Date, our Company is owned as to 23.82% by Dr. Dai, 14.35% by Paradigm Investment and 2.27% by Paradigm Yinyuan. Paradigm Investment and Paradigm Yinyuan are both indirectly controlled by Dr. Dai and Ms. Wu, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively.
- (24) Nanjing Paradigm is a limited partnership established in the PRC on December 29, 2022 as the Employment Incentive Platform. For further information, please see the section headed “Statutory and General Information – Further Information about Our Directors, Supervisors, Senior Management and Substantial Shareholders – 5. Employee Incentive Schemes” in Appendix VI to this Prospectus.
- (25) Shanghai Fan’an Technology Co., Ltd. (上海範安科技有限公司) is a company established in the PRC on June 20, 2023. It is owned as to approximately 66.67% by 4Paradigm Beijing, our wholly-owned subsidiary, and as to approximately 33.33% by Beijing Xuenuo Technology Co., Ltd. (北京雪諾科技有限公司), an Independent Third Party.

Remarks:

- (A) The Shares held by these Shareholders are Unlisted Shares and will not be converted to H Shares upon Listing.
- (B) The Shares held by these Shareholders are Unlisted Shares and will be converted to H Shares upon Listing.

Notes:

For notes (1) to (25), please see the paragraph headed “Corporate Structure Immediately Before Completion of the Global Offering” in this section.

(26) Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Company will be owned as to 38.84% by Dr. Dai, 13.78% by Paradigm Investment and 2.18% by Paradigm Yinyuan. Paradigm Investment and Paradigm Yinyuan are both indirectly controlled by Dr. Dai and Ms. Wu, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively.

Remarks:

- (A) The Shares held by these Shareholders are Unlisted Shares.
- (B) The Shares held by these Shareholders are H Shares.

BUSINESS

OUR VISION

To provide world-leading AI platforms and solutions that catalyze progression of society and growth of enterprises.

OUR MISSION

To empower AI transformation and advance AI for all businesses.

OVERVIEW OF OUR BUSINESS

Who We Are

We are a leader in enterprise AI. We offer platform-centric AI solutions that can be rapidly deployed by enterprises on a large scale to uncover hidden patterns in data and comprehensively enhance their decision-making capabilities.

We were the largest player by revenue in the platform-centric decision-making AI market, a sub-segment of the AI market, in China in 2022, according to the CIC Report. We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. For example, according to CIC, our proprietary AutoML algorithm is a cutting-edge AutoML algorithm in the world. For details, see “Our Technology – AutoML.” With our AutoML algorithms, we broke the world records of two Open Graph Benchmark (“OGB”) tasks in terms of the accuracy and effectiveness of the algorithm in April 2021. OGB is a globally recognized collection of benchmark datasets for machine learning on graphs that AI companies and research institutions utilize to test and evaluate performance of AI models. Participants include world-famous innovative enterprises and research institutes, such as Facebook, Alibaba, Stanford University and Cornell University. Our AutoML algorithm also ranks top 1% in Kaggle Structured Data and Image Classification Competition 2019.

We emphasize value creation. Our solutions have covered a myriad of industries including, but not limited to, finance, retail, manufacturing, energy and power, telecommunications, transportation, technology, education, media and healthcare. For example, our AI solutions have successfully helped banks enhance anti-fraud accuracy rate, retailers forecast sales volume and formulate precision marketing strategies, manufacturers optimize quality control, and energy companies detect and prevent equipment anomalies and failures. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, we had 47, 75, 104, 49 and 62 lighthouse users, respectively. In 2020, 2021 and 2022, the net dollar expansion rates of our lighthouse users were 167%, 140% and 126%, respectively. A net dollar expansion rate above 100% reflects that we have generated increased revenue from the relevant lighthouse users.

During the Track Record Period, we have experienced tremendous growth. Our revenue grew by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, and by 52.7% to RMB3,082.6 million in 2022. Our revenue grew by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023.

Our Market Opportunities

We see massive market opportunities in enterprise AI application. As a result of the advancements in AI-related academic research, surge in computing power and accumulation of data, AI plays a pivotal role in enterprise decision-making. According to CIC, the total spending on AI by enterprises in China increased from RMB59.3 billion in 2018 to RMB225.5 billion in 2022, representing a CAGR of 39.7%, and is expected to reach RMB691.0 billion in 2027 at a CAGR of 25.1%.

We believe, however, that large-scale AI transformation faces the following key challenges:

- (i) *Shortage of experts.* Experienced AI experts, especially in advanced technologies, are scarce in the market, and hence enterprises face significant difficulty and uncertainty in in-house development of AI capabilities that are tailored to various scenarios in their business operations.
- (ii) *High total cost of ownership.* According to CIC, it is estimated that companies need to spend an average of RMB500 million to develop enterprise AI applications in-house, which, coupled with costs of ongoing maintenance, procurement of hardware and engagement of AI experts, results in high total cost of ownership.
- (iii) *Long deployment time.* In the course of developing AI applications in-house or purchasing point solutions, companies likely need to adopt a “trial and error” approach in order to find the optimal portfolio of AI applications that suit their business needs. According to CIC, it is estimated to take three years on average for enterprises to establish large-scale AI infrastructure and capabilities internally with their current AI team setup.
- (iv) *Data and software incompatibility.* With point solutions designed to only address a limited number of scenario-specific problems, enterprises typically need to purchase multiple point solutions from different vendors for large-scale deployment. These solutions are often not compatible to each other and may require continuous refinement by AI engineers. Organizations’ increased awareness of data security and data privacy protection adds to the complexity of deploying different point solutions and integrating multiple data sources.

Platform centric solutions are more effective than point solutions in addressing the challenges above. Platform-centric solution is a new category under AI solution that provides building blocks, i.e., operating and development systems, runtime environment and visualization services, to build AI applications which can be tested and utilized for various use cases. Unlike point solutions that are required for scenario-specific use cases, platform-centric decision-making AI solutions provide end users with an AI development platform in addition to AI applications and underlying computing infrastructure. Such an AI development platform provides end users with uniform development standards, high compatibility as well as flexible

expansion of applications per actual demands. With the plug-and-play feature and infrastructure for further developing and operating use-case-specific solutions, decision-making AI platforms allow for much greater flexibility, scalability, compatibility and easier management. According to CIC, the market of platform-centric decision-making AI market is expected to reach RMB74.9 billion in 2027, representing a CAGR of 42.3% from RMB12.8 billion in 2022. As a platform-centric AI solution provider, we believe we are able to capture the massive market opportunities in enterprise AI application.

Our Core Technologies and Solutions

Our platform-centric AI solutions seek to overcome challenges faced by in-house development of AI capabilities and point solutions that are designed for scenario-specific use cases, and allow enterprises to benefit from the advancement of AI technologies to the largest extent possible.

- (i) *Ease of use.* The low- and/or no-code feature of our platform and the intuitive interface of our operating system allow users with limited knowledge or experience in AI to develop, deploy and operate customized AI applications on a firm-wide basis.
- (ii) *High return on investments.* Our platform-centric AI solutions can be applied for a wide range of industries and use cases at scale. With real-time operational intelligence guiding better business decision-making, our solutions also allow users to realize meaningful economic benefits from additional revenue opportunities and improved operational efficiency.
- (iii) *Rapid time to deploy.* Due to the plug-and-play and low- and/or no-code nature of our solutions, large-scale deployment can happen in potentially just a number of days and need not to involve employees or experts with significant experience in AI.
- (iv) *Full compatibility.* Our platform-centric solutions enable data integration from different systems and sources. We focus on providing platforms and development tools for users to fully harness the value of their data, without engaging in collecting of our users' data.

Our Core AI Technologies

We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. Core technologies underlying our AI solutions include:

- *AutoML.* Our AutoML technology automates the process of machine learning and enables algorithms to automatically discover new patterns, hence minimizing the involvement of AI engineers responsible for building, adjusting, maintaining and refining the AI models.

- *Transfer Learning.* Our transfer learning technology expands application of AI to industries in which data is sensitive or scarce and resolves privacy issues surrounding application of AI in fields involving sensitive data subjects. It equips our algorithms with the ability to “transfer” analysis conducted and patterns discovered in one industry or scenario to another with similarity, hence being able to provide AI solutions even where data is not readily available or accessible.
- *Environment Learning.* Our environment learning technology reduces the cost of model training and ensures safety by training models in a simulated environment. As compared to traditional simulation technologies, our environment learning technology is able to build a high-precision simulated environment without complete domain knowledge, enabling the application of intelligent decision-making technologies in more use cases.
- *AutoRL.* Our AutoRL technology automates the process of reinforcement learning, which refers to the training of machine learning models to make a sequence of decisions in a dynamic, uncertain, potentially complex environment. Our AutoRL technology provides an end-to-end and automatic suite of tools for reinforcement learning. Users are able to develop reinforcement learning algorithms without extensive prerequisite background or knowledge.

Our End-to-End Enterprise AI Solutions

Leveraging our core technologies, we have developed end-to-end enterprise AI solutions that cater for enterprises’ needs across application, platform and infrastructure levels.

Sage Platform is the backbone of our solutions. It allows enterprises to easily build their customized AI systems that automate the process of machine learning, application, decision-making and evaluation driven by our AutoML algorithms, featuring quick, simple build-up, low- and/or no-code environment, and implementation without significant involvement of AI experts.

- Sage AIOS is an AI operating system featuring user-friendly interface, standardized data processing, automated resource management and allocation and fully compatible middleware that are comparable to personal computer operating systems. Major components of Sage AIOS include data kernel and runtime kernel. Data kernel is a platform for AI data. By defining the standards and formats of data that are ready for AI applications, data kernel enables users to comprehensively enhance its data quality and modeling efficiency. Runtime kernel is a centralized management kernel for multi-layer computation, memory and communication. Runtime kernel is capable of automatically scheduling and managing heterogeneous resources without affecting user experience, thereby enhancing computation resource utilization rates, and optimize the efficiency of developing AI models and applications.

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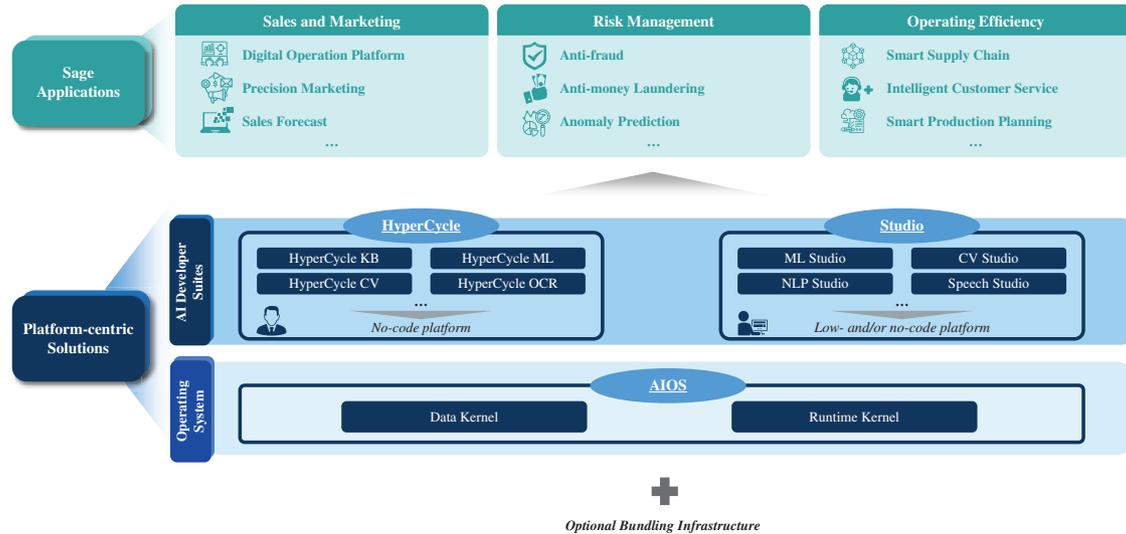
- Built on Sage AIOS, there are two AI developer suites, for which users can choose depending on their coding capabilities, one being the HyperCycle series with no-code development tool and the other one being the Sage Studio series with low-code and no-code development tools. AI applications in different use cases require different types of algorithms. Accordingly, at the users' choice based on the types of AI applications they want to develop, we offer HyperCycle ML, HyperCycle CV, HyperCycle OCR, HyperCycle KB, ML Studio, CV Studio, NLP Studio and Speech Studio, among others.

In addition, we offer ready-to-use AI software applications that users could directly deploy to improve their business operations, primarily in the fields of sales and marketing, risk management and operating efficiency in general. Moreover, we launched our enterprise-level AI application store in June 2021, which is a marketplace for AI applications at the choice of our users. It integrates a cluster of both ready-to-use AI applications developed by us and AI applications developed by our partners in the ecosystem on Sage AIOS using our algorithms and standards, thereby addressing users' needs for intelligent operations in different use cases. For applications developed by ecosystem partners, we also work with them to optimize the applications and to ensure compatibility with Sage Platform. As a result, relevant legal titles and intellectual property rights of such applications are jointly owned by our ecosystem partners and us. Fees charged for such applications are shared by our ecosystem partners and us at a ratio agreed by both parties. We also provide application development services and help users develop customized AI applications on Sage Platform to address their specific business needs.

Based on the needs of users, we also offer optional bundled infrastructure, which primarily represent SageOne, our software-defined "All-in-One" solutions. SageOne provides bundled "hardware + software" server infrastructure with pre-built Sage Platform and our ready-to-use AI applications, including applications developed by us and our ecosystem partners. SageOne maximizes the synergistic effect between software and hardware. Leveraging software-defined optimization of computing, network and storage resources, SageOne improves the output and performance of our AI solutions as compared to running on conventional and generalized architecture servers, thereby empowering organizations to rapidly enhance intelligence in their operations.

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The following diagram illustrates our solution offerings:



Our Value-oriented Strategy and Success in Commercialization

We believe that the benefits of our solutions speak for themselves. Creating value for users is a key driver of our success in commercialization.

Our go-to-market strategy starts with market leaders in each industry we target to enter who are also early adopters of AI. We demonstrate the value of our solutions through one or a few entry projects. Because of the platform-centric nature of our solutions, once our value has been proven, we are then able to expand our services quickly to address other business needs of our users. The number of our lighthouse users has increased from 47 in 2020 to 75 in 2021, and further to 104 in 2022. The number of our lighthouse users has increased from 49 in the three months ended March 31, 2022 to 62 in the three months ended March 31, 2023. Our average revenue per lighthouse user has increased from RMB12.3 million in 2020 to RMB13.7 million in 2021, and further to RMB17.9 million in 2022. For the three months ended March 31, 2022 and 2023, our average revenue per lighthouse user stayed the same as RMB5.4 million.

After we succeed with the lighthouse users, we leverage our understanding of the industries, our reputation established through collaborating with industry leaders, and our AI ecosystem to further enhance our influence in such industries, enabling us to further penetrate and provide solutions to other players, without incurring significant sales and marketing efforts. Our total number of users has increased from 156 in 2020 to 245 in 2021, and further to 409 in 2022. Further, our total number of users has increased from 125 in the three months ended March 31, 2022 to 147 in the three months ended March 31, 2023.

Our revenue is primarily based on the estimated computing power that AI applications consume on our platform. As users expand AI applications for new use cases on our platform and/or increase usage in existing use cases which require additional computing power, they will purchase additional licenses from us, which allows us to capture additional monetization

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opportunities. During the Track Record Period, our revenue grew by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, and further by 52.7% to RMB3,082.6 million in 2022. Our revenue grew by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023.

Our AI Ecosystem

We have fostered an ecosystem over time which we believe is important to our long-term internal and external development. Our ecosystem is comprised of leading universities, software and AI companies, software developers, AI scientists, solution partners and industry leaders in a number of business sectors. Our AI ecosystem not only helps us continuously improve our technology capabilities, but also empowers users with AI knowledge and our solutions, in turn driving our success in commercialization.

Universities in our ecosystem typically have curriculums in AI, computer science, data science and big data, professors with well-recognized credentials and experience, and strong academic influence. We also cooperate with software and AI companies that have proprietary AI technologies, proven track record of commercial ion, established AI developer team and sufficient industry experience. In addition, we benefit from working with solution partners who typically have strong end-user network, and strong user connections and extensive industry experiences.

For instance, we established “Paradigm Academy” for the purpose of educating enterprises on AI. We established AutoML.ai, an open source AutoML challenge platform, which allows us to interact with and learn from top academic institutions, multinational technology companies and AI scientists in the world. We launched a “Hackathon” in 2019 to encourage companies to discover new AI application use cases and formulate AI solutions. We also partner with other leading providers of AI-enabled solutions in the PRC and around the world to establish AI laboratories, in order to explore and develop innovative AI platforms by leveraging the technical strengths and experience of different market players.

In addition, we made OpenMLDB and OpenAIOS in our Sage AIOS an open source platform to share our achievements in AI operating systems with developers across the world. We launched our enterprise-level AI application store on Sage AIOS in June 2021 which contains a cluster of AI applications developed by both us and our partners in the ecosystem, which mainly include software and AI companies in China on Sage AIOS using our algorithms and standards. The application store enriches the value of our ecosystem at the application level.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors.

Our leading position in platform-centric enterprise AI solutions and core technologies

We were the largest player by revenue in the platform-centric decision-making AI market in China in 2022, according to the CIC Report. We were selected as a Global Representative Vendor of Composite AI in Emerging Technologies and Trends Impact Radar, and a Global Representative Vendor of AutoML in 2020 Top Ten Strategic Technology Trend by Gartner, and we also ranked No. 1 in the China Predictive and Analytics and Machine Learning in 2020 by The Forrester Wave.

We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. For example, Dr. Dai and Dr. Yang are the pioneers in transfer learning and are well regarded in the AI industry for their achievements and contributions in steering the direction for the research and development of transfer learning worldwide. In addition, according to CIC, our proprietary AutoML algorithm is a cutting-edge AutoML algorithm in the world, and we were the first in the world to launch a commercialized product using AutoML framework in 2014, and to apply AutoML in a number of use cases across various industry sectors. For example, according to CIC, we launched the world's first commercialized AutoCV product in 2018. More importantly, being a first-mover means we are well ahead of our competitors in terms of efficiency and accuracy of our algorithms. Accumulation of use cases and experience over the years makes our solutions difficult, if not impossible, to be replicated by our competitors.

Our end-to-end AI solutions with strong value proposition, continuously driving user success

Our focus has always been the value we create for our users and the success of our users. Our end-to-end solutions directly address the challenges faced by enterprises in large-scale deployment of AI. We are different from point solutions providers which offer solutions in predefined use cases and specific industries, making large-scale deployment costly, time-consuming and burdensome. The low- and/or no-code nature of our solutions empowers users in any industry with or without AI experience to implement our solutions easily and rapidly without involvement of AI experts, enabling enterprises to benefit from AI transformation. Hence, we believe that our AI solutions are the key to widespread AI transformation at enterprise level. Our strong value proposition and efforts to enable user success are evidenced by the results we have achieved with our users.

High quality, diverse and loyal user base resulting from our levered go-to-market strategy

Benefiting from a successful go-to-market strategy, we have served a large number of lighthouse users who are market leaders in the respective industries they operate, including but not limited to finance, retail, manufacturing, energy and power, telecommunications, transportation, technology, education, media and healthcare. The purpose of this strategy is to disrupt conventional industry practices by establishing new market standards for enterprise AI implementation through collaboration with market leaders of the specific industries, hence gaining the momentum necessary to subsequently spread our influence to other users in these

industries. From the users' perspective, the massive user base covered by these market leaders amplifies the economic impact and reliability of our AI solutions, which later serve as strong proof points for other users in those industries. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, we had 47, 75, 104, 49 and 62 lighthouse users, respectively. Our lighthouse users contributed 61%, 51%, 60%, 55% and 52% of our total revenue in 2020, 2021 and 2022 and in the three months ended March 31, 2022 and 2023, respectively.

AI ecosystem to ensure sustainable long-term growth

Our ecosystem connects us to a large number of academic institutions, business partners and AI scientists in China and around the world. Through our vibrant AI ecosystem, our solutions can reach a significantly larger base of end users through both in-house sales efforts and our solution partners. At the same time, we are able to stay abreast with the latest developments in AI technologies through regularly interacting with the top scientists and engineers in the field, enabling us to maintain our leadership in the core technologies. In essence, our ecosystem gives rise to synergy, value and technological advancement that would not otherwise be available if we were to rely solely on our internal R&D and customer services resources. We currently have more than 100 companies and thousands of AI scientists and developers in our ecosystem, and we will continue to expand it.

Strong, experienced and elite management combining academic excellence and business insights

Our management team is composed of both top AI scientists and business veterans. Our founder and Chief Executive Officer, Dr Dai Wenyan, was the first to propose the idea of a general framework for transfer learning that unifies different transfer learning problems. Prior to joining our Company, he served as Chief Research and Development Architect at Baidu, and designed one of China's earliest AI systems that have achieved significant commercial success. Dr. Dai and Dr. Yang Qiang (our co-founder) are the pioneers in transfer learning and are well regarded in the AI industry for their achievements and contributions in steering the direction for the research and development of transfer learning worldwide. Mr. Tu Weiwei, Principal Scientist and Vice President of our Company, and is a renowned scholar in AutoML. He served as the chairperson and advisor of various international AutoML conferences and workshops, such as the AutoML workshops at the International Joint Conferences on Artificial Intelligence in 2021, the KDD in 2020, and the Conference on Neural Information Processing Systems in 2019 and 2020. Two members of our senior management, including Dr. Dai, were world champions of the International Collegiate Programming Contest (ICPC) held by the Association for Computing Machinery (ACM), one of the most recognized programming competitions at university level internationally. At the same time, we understand we need business talent to bring us to the path of commercialization. Hence, we also have management team members who on average have more than 10 years of management and business experience in various industries. We believe that our talent pool will keep playing key roles in fulfilling our mission as we continue to expand and attract more vision-sharing talent.

OUR STRATEGIES

We strive to achieve our long-term goal of helping enterprises achieve AI transformation. To achieve this goal, we intend to pursue the following strategies:

Further strengthen our R&D capabilities

Our success is driven by our capabilities to continuously innovate our offering and improve our underlying core technologies. As such, we will continue to invest in our research and development capabilities, particularly with respect to our core technologies, in order to reinforce our leadership position in the industry. We are also focusing on the research and development of other cutting-edge AI technologies such as federated learning technology, which entails training algorithms on local datasets of end users without exchange data samples, thus enhances data security, and cutting-edge technologies such as large language models and generative AI to enhance efficiency and productivity. Moreover, in line with our strategy to create solutions that are easy to use, we intend to introduce additional products, features and functionalities to our solutions and enrich our pre-built application portfolio such that more users within an organization could easily benefit from our AI solutions. For example, in March 2023, we launched SageGPT, an enterprise-grade generative AI product specially designed for business scenarios, which features multimodal interaction and enterprise-ready AI tools.

We also intend to expand our talent pool of data scientists and AI engineers as well as industry vertical veterans on a continuous basis. We believe that qualified and experienced data scientists and AI engineers are crucial to sustain our leadership in the core technologies and the ongoing refinement of our algorithms, platforms and operating systems. We also plans to retain our existing talent pool by offering competitive compensation. In addition, we seek to fully leverage the industry knowledge and experience of these veterans to help us design AI solutions to specifically address future challenges in those industries ahead of time. In addition, we also plan to strengthen our R&D capabilities by establishing new R&D centers, procuring additional high performance servers, among others. See also “Future Plans and Use of Proceeds.”

Continue to create value for users and establish industry standards

We plan to further our “go-to-market” strategy and continue to create value for our users. We expect our users to continue to expand the number of use cases utilizing our platform-centric solutions, helping us to continuously acquire valuable experience and industry know-how which further set us apart from our competitors. As our existing users (plenty of which are lighthouse users) benefit from our solutions in more and more use cases, we will naturally be able to establish industry standards and attract more new users both in existing verticals and new verticals.

Strengthen collaboration with business partners within our ecosystem

We will continue to empower and work with market leaders as well as our partners within our ecosystem to develop vertical solutions with industry best practices, which will help us continue to build up industry know-how and domain knowledge. We aim to strengthen our relationships with solution partners to retain and expand our user base across various industries. We also partner with our hardware suppliers to produce industry-tailored integrated solutions – all in an effort to enhance user stickiness of our solutions. We plan to continue investing in our ecosystem to attract more use cases utilizing our solutions, bring greater awareness of our solutions, drive our user net dollar expansion rate and broaden our distribution footprint across both vertical and horizontal markets.

Enhance our commercialization capabilities

To further strengthen our commercialization capabilities, we intend to expand our in-house sales and marketing team by recruiting additional talents with experiences in both sales and marketing and other industries. We believe that these talents can better understand the business needs of potential users of our solutions, and thus help us create value for users. We will also promote our solutions and offerings by engaging in more marketing activities through both offline and online channels. In addition, we plan to expand our user base, enhancing the penetration of our solutions. Furthermore, we also plan to pursue strategic investments and acquisitions that are complementary to our business to strengthen our R&D and deployment capabilities, optimize our solutions and expand our user base.

OUR ENTERPRISE AI SOLUTIONS

Driven by our mission to empower AI transformation and advance AI for all businesses, we have developed Sage Platform, a full suite of end-to-end AI solutions that can be rapidly deployed by enterprises on a large scale to uncover hidden patterns in data and facilitate decision-making beyond human capability. Our innovative Sage Platform empowers enterprises with AI development and management capabilities, and enables them to design, develop and operate AI applications at scale. The plug-and-play and low- and/or no-code nature of Sage Platform lowers the barrier of AI deployment, enabling large-scale deployment within a few days and without involvement of experts or other personnel with significant experience in AI. Sage Platform is primarily composed of (i) an AI operating system, and (ii) AI developer suites, including HyperCycle and Sage Studio.

On top of our Sage Platform, we also offer a large and growing portfolio of scenario-specific AI applications that address a range of mission-critical use cases and can be readily installed and deployed. At our users' request, we also offer application development services to help them develop customized AI applications on Sage Platform based on their business needs.

Sage Platform

Sage AIOS

Sage AIOS is an enterprise-level AI operating system. As a flexible, secured and open platform, the role of Sage AIOS is analogous to Windows' role for personal computers. It connects the underlying IT infrastructure and various AI applications, and provides enterprises with high concurrency, performance and availability to support the development and launch of AI applications. Based on multiple versions of products and underlying technology previously developed by us, we officially launched Sage AIOS in August 2020, an upgraded and integrated AI operating system with expanded features. Specifically, Sage AIOS provides a more user-friendly interface to visualize AI application development and management. Characterized by its user-friendly interface on which users can easily and conveniently design, develop and operate numerous AI applications, Sage AIOS is able to empower enterprises to deploy AI on a large scale. In addition, as compared to the earlier versions, Sage AIOS standardizes the formats of AI data and resources management, thereby further enhancing the efficiency of AI deployment on a large scale. The earlier versions of Sage Platform only supports our proprietary AI developer suites and self-developed applications, while Sage AIOS is able to support applications developed by other parties, and thus enhances our AI ecosystem.



AI operating systems need to address various difficulties in terms of data quality, modeling efficiency, and computing power management and scheduling in the adoption of AI applications. Powered by its data kernel and runtime kernel, Sage AIOS is able to address these needs.

Data Kernel

Data kernel is a platform for AI data. By defining the standards and formats of data that are ready for AI applications, data kernel enables users to comprehensively enhance its data quality and modeling efficiency. Moreover, our data kernel synchronizes data from different sources to ensure consistency. Our data kernel also enables the chronology of data using strict timestamps, which marks the time when data is generated and processed. Moreover, it applies closed-loop feedback mechanism in the modeling process by constantly providing feedback of newly generated business data to train models in real time, thereby enhancing its effectiveness.

In addition, our data kernel offers functions such as centralized management for data source, storage and processing, addressing the data-related needs for enterprises in developing AI applications. The key component of data kernel is our OpenMLDB, an open-source database designed and optimized to enable data correctness and efficiency for machine-learning-driven applications.

Runtime Kernel

Runtime kernel is a centralized management kernel for multi-layer computation, memory and communication. Leveraging our proprietary container freeze and migration technologies, our runtime kernel is capable of automatically scheduling and managing heterogeneous resources without affecting user experience, thereby enhancing computation resource utilization rates, and optimize the efficiency of developing AI models and applications. The key component of runtime kernel is OpenAIOS, which is able to automatically coordinate AI tasks among heterogeneous devices. Key features of our runtime kernel include:

- *High performance.* Our runtime kernel is able to automatically split tasks for parallel computation, and use different designated computing chips to further accelerate processing, thereby improving the performance of current AI computing framework by 500%, according to CIC.
- *Cost effective.* Our runtime kernel is able to expand memory size through an automatic scaling strategy without modifying of the existing applications and codes. As a result, we are able to reduce the overall memory cost while increasing the success rate of tasks, thereby reducing the TCO for current AI data processing engines by 90%, according to CIC.
- *High utilization rate.* Our runtime kernel is able to offer a low-latency and high-throughput communication framework in the process of machine learning. Combined with our device virtualization technologies, our runtime kernel is able to enhance GPU utilization rate by ten times as compared to other mainstream scheduling frameworks, according to CIC.

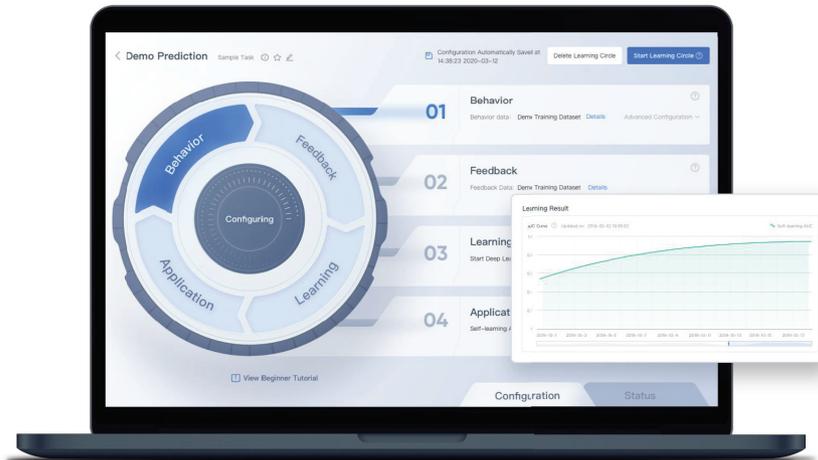
AI Developer Suites

We offer AI developer suites equipped with various development tools to enterprises, assisting them to design and develop AI applications. Based on the needs and background of users, we provide (i) HyperCycle with no-code development tools and (ii) Sage Studio with low-code and no-code development tools.

HyperCycle

HyperCycle is an AI development platform that helps enterprises rapidly design, develop and utilize AI applications. Because of its no-code feature, HyperCycle lowers the barrier to deploy AI by enterprises in their various business operations as developing AI solutions on the platform does not require any knowledge or experience in AI, enabling them to develop standard AI applications at scale.

We have introduced the HyperCycle methodology which simplifies and standardizes the AI deployment process into four steps, namely behavior, feedback, learning and application. As a result, we are able to lower the barrier of quickly applying AI technologies at scale, empowering the intelligent transformation of organizations.



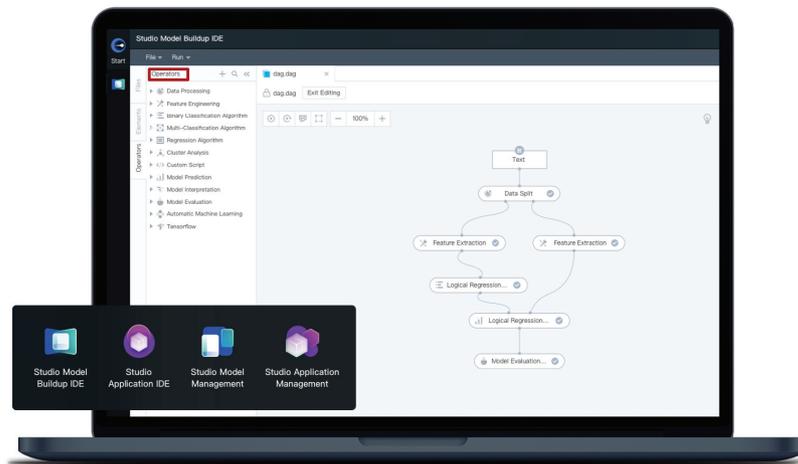
HyperCycle automatically builds, applies and updates machine learning models throughout the entire development process. Leveraging HyperCycle, users are able to easily develop AI applications within simple clicks on the graphical user interface. HyperCycle provides users with APIs, through which users can connect HyperCycle with their business and operating systems. Then, they configure the parameters for the modeling process, such as the scope of data for learning, the scope of data for evaluation and level of computing power. Once the parameters are set, users can launch the modeling process by a simple click, which will automatically process and analyze the data input, optimize and iterate models, and develop AI applications powered by our AutoML algorithms.

AI applications in different use cases require different types of algorithms. Accordingly, we offer HyperCycle ML, HyperCycle CV, HyperCycle OCR and HyperCycle KB at the users' choice based on the types of AI applications they want to develop. HyperCycle ML is an automated machine learning platform for general AI applications. HyperCycle CV is designed for computer vision algorithms and supports image categorization, target detection and other use cases. HyperCycle OCR is an optical character recognition platform with AI-empowered handwritten text, card and bill recognition capabilities. HyperCycle KB is designed for the development of knowledge base-related applications.

With our proprietary AutoML technologies and guided by the HyperCycle methodology, HyperCycle achieves automatic machine learning of real-time closed-loop data, continuously optimizing and enhancing the performance of algorithm training models. Leveraging world-class capabilities of automatic modeling, real-time deployment and closed-loop data, HyperCycle improves efficiency and reduces labor and IT cost for the development and application of AI technologies.

Sage Studio

Sage Studio is an end-to-end AI application development platform for developers, assisting them to develop AI applications. At users' choices, it provides standard, low-code and no-code AI development tools. Sage Studio is able to cover the entire development process from data to model, application, and the deployment and launching of AI applications. Featured with drag and pull development tools, Sage Studio is able to provide one-stop application development and launch management in the fields of machine learning, computer vision, natural language processing and speech, among others.



Key modules of Sage Studio include (i) model exploration, (ii) model management, (iii) application development and (iv) application management. The model exploration module structures and modularizes model training, and offers a series of operating modules (“operator”) for coding, running, data visualization and result feedback. According to CIC, most of the existing machine learning platforms lack the capabilities to support development of AI applications in various scenarios or to ensure performance when processing large data volumes. Sage Studio defines the standards for each operator during the modeling process for AI application in different scenarios, and offers high compatibility. By integrating multiple self-developed AI algorithms, Sage Studio enables users to process massive volumes of data without compromising performance.

Similar to HyperCycle, Sage Studio provides users with APIs, through which users can connect Sage Studio with their business and operating systems. We offer various pre-set templates of flow process and algorithms, enabling developers to design AI models through drag and pull. Supported by our self-developed GDBT framework, a distributed parallel computing framework designed for machine learning computation tasks, we offer a large number of machine learning algorithms for different use cases. As a result, Sage Studio is able to enhance computing power efficiency for machine learning with massive data volume, thereby reducing the total cost of ownership of our users as they scale.

Furthermore, Sage Studio’s application development module empowers users with the tools to design, develop, test and launch AI applications with various functions, including self-learning, batch forecasting and real-time forecasting. As an open platform, Sage Studio is compatible with various mainstream AI frameworks and algorithms, enabling users to achieve customized development and integration of AI applications in a rapid and cost-effective manner. Sage Studio also provides centralized management capabilities for models and applications from different sources.

Illustrative Example of AI Application Development through HyperCycle ML

Below is an illustrative example of how a hypothetical bank can easily and rapidly deploy customized AI applications through HyperCycle ML:

1. The bank intends to recommend suitable financial products to its mobile bank APP users real-time by developing a precise recommendation model. The first step is to select a suitable template from the homepage of HyperCycle ML.

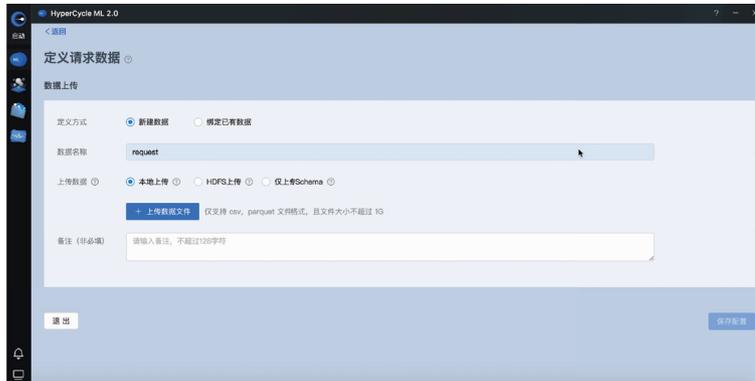


Choosing suitable AI application templates from homepage



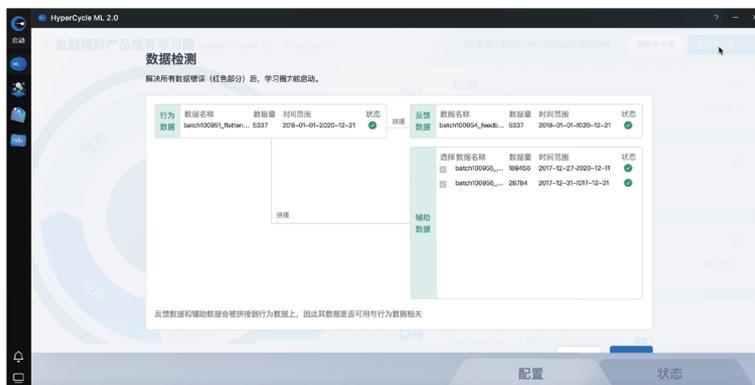
Summary of stages of AI application development

- The bank then needs to input (i) behavior data, such as user information, financial product information and sales record, and (ii) feedback data, being historical purchase decisions made by users.



Input behavior/feedback data

- After relevant parameters are confirmed and learning process is activated, machine will automatically choose the optimal algorithms and start to generate AI models.



Summary of sources of behavior data, feedback data, supplementary data and other relevant parameters



Progress of machine learning

- After machine learning is completed, the bank’s precise recommendation model is launched by just one click.



Launch of precision recommendation model after completion of machine learning

Sage Applications

On top of our Sage Platform, we also offer a large and growing portfolio of scenario-specific AI applications that address a range of mission-critical use cases and can be readily installed and deployed. Moreover, we launched our enterprise-level AI application store, which is a marketplace for AI applications at the choice of our users. It integrates and is compatible with a cluster of AI applications developed by both us and our partners in the ecosystem on Sage AIOS using our algorithms and standards, thereby addressing users’ needs for intelligent operations in different use cases.

Based on their functions, our Sage Applications are primarily categorized into (i) sales and marketing, (ii) risk management and (iii) operating efficiency applications. The following table sets forth details of our major Sage Applications:

Category	Application	Features
Sales and Marketing	Digital operation platform	We offer a digital operation platform which comprises smart recommendation, smart search, smart push, smart customer service, data governance and other functions. It enables organizations to refine their online operations, optimize user experience and retain their users, and achieve business growth. Empowering organizations with AI technologies, it effectively optimizes the operation of users, which can be reflected in their key operating metrics such as retention rate, repurchase rate, average transaction value and gross merchandise value, among others.

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Category	Application	Features
	Precision marketing	Powered by AI technologies in various scenarios such as recommendations, marketing, maintaining user engagement, user portraits, forecasting, user acquisition and pricing, our precision marketing solution enables organizations to analyze sales statistics and configure marketing strategy, analyze sales statistics, and thereby increase their sales.
	Sales forecasting	Our sales forecasting solution analyzes various types of operating data, including sales, store, marketing, environment and location data. Utilizing our AI technologies, it automatically summarizes rules for sales forecasting, and is able to accurately predict sales volume, sales value and sales flow from store level to SKU level. As a result, we empower users to formulate sales strategies, and to optimize inventory and store location planning.
Risk Management	Anti-fraud	We offer an end-to-end intelligent anti-fraud platform to empower organizations with AI technologies to solve various kinds of risk and fraudulent events. By combining machine learning technology and traditional expert rules, we help users improve the overall accuracy and scope of risk management and anti-fraud management.
	Anti-money laundering	Our anti-money laundering solution is able to intelligently identify, analyze and report suspicious transactions and to sort the flagged transactions according to risk level to improve the efficiency of human review. It also addresses the problems of 'omission' and 'overstatement' of traditional anti-money laundering methods.

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Category	Application	Features
	Anomaly Prediction	Our anomaly prediction application is able to identify unexpected projects, events or observations, and thereby provide early warnings and trend predictions through data mining. It can be applied in detection and prediction of banking frauds, equipment faults and text errors.
Operating Efficiency	Smart supply chain	By analyzing consumers' needs and combining with our sales forecasting application, our smart supply chain solution helps enterprises to manage manufacturing, distribution, stocking and warehousing. We believe that this smart supply chain solution is able to empower a number of industries in which accurate pricing, procurement and distribution are key to success, as enterprises rely more and more heavily on AI to make accurate and timely procurement decisions.
	Intelligent customer service	We offer a conversational AI chatbot developed based on deep learning technologies, featuring self-learning, natural language understanding, knowledge graph, intelligent Q&A, task dialogues and other core functions. During communications with end users, the chatbot can carry out self-learning according to the feedback from users, and adjust the communication strategy and the communication result. Our intelligent customer service help organizations reduce costs associated with manual customer services.
	Smart Production Planning	By offering the smart production planning application, we help users make optimized production plans. Powered by AI technologies, it formulates daily production plan for each product line based on users' orders, manufacturing capacity, manufacturing techniques and raw materials, enhancing their cost efficiency.

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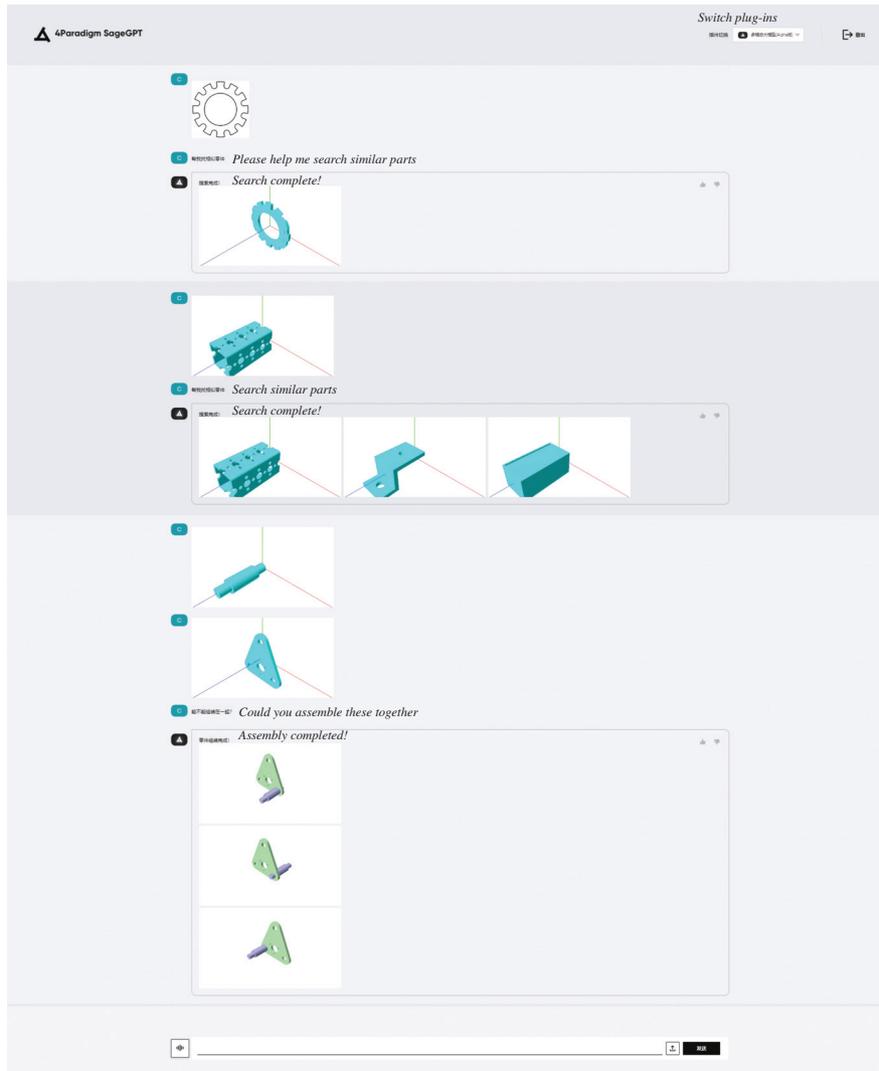
Furthermore, at our users' request, we also offer application development services to help them develop customized AI applications on Sage Platform based on their specific business needs. For users who have not purchased Sage Platform, customized applications are developed on our Sage Platform, and the applications are then delivered to users. Such applications cannot be altered by the users, while users for Sage Platform are able to alter, update and manage AI models and applications on the platform.

We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. For example, in March 2023, in addition to our decision-making AI solutions, we launched SageGPT, an enterprise-grade generative AI product specially designed for business scenarios. SageGPT features multimodal interaction and enterprise-ready AI tools. It re-defines the way employees of our end-users interact with business systems. SageGPT is able to connect with the end user's existing business systems, AI applications and internal database. With a user-friendly interface, SageGPT is capable of processing queries and tasks in the forms of video, image, voice, text, etc., transmit such queries and tasks to the end users' existing business systems, AI applications and internal database for processing, and output the responses in requested forms. Similar to Sage Platform and applications, SageGPT can be delivered through (i) license of software installed on-premise at servers of end users, and (ii) sale of servers and other related hardware with pre-installed SageGPT software. Currently SageGPT is not bundled with other products or services offered by us. SageGPT is compatible with users' existing business systems, AI applications and internal database, and does not require purchase of our other products or services. As of the Latest Practicable Date, SageGPT is still in an early stage of commercialization. Key advantages of SageGPT include:

- Secure data – SageGPT can be deployed on-premise, and does not require large external models. Therefore end users' data are retained and processed on their premise to ensure security.
- Trusted content – SageGPT process data from trusted source, including end user's existing AI applications, business systems and internal database. SageGPT supports cross-validation of knowledge graph to ensure the reliability and accuracy of content generated. Original source of the output can be identified for verification.
- Cost-efficiency – As SageGPT is designed for enterprises instead of individuals, we have streamlined the AI models and generating process of SageGPT which requires less computing power. SageGPT does not require significant cost and investment by end users on computing power and hardware.

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Below is a hypothetical and illustrative example of how SageGPT can be used in industrial design:



For risks regarding recent regulatory development that may be relevant to our SageGPT, see “Risk Factors – Risks Related to Our Business and Industry – We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential users from using our solutions and subject us to significant legal, financial and operational consequences.”

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REVENUE MODEL

We generate our revenue primarily from (i) Sage Platform and applications, which are charged based on estimated computing power consumption, and (ii) application development and other services which primarily include application development services to help them develop customized AI applications on Sage Platform based on their business need. Computing power consumption is estimated based on data volume, and complexity or dimensions of the AI models. The following table illustrates the details of our solutions:

Category	Deployment	Pricing
Sage Platform and applications	License of software installed on-premise at users' servers	Based on estimated computing power consumption – license fees
	SageOne (software-defined “All-in-One” solutions with pre-built Sage Platform and applications on servers and other related hardware)	Based on estimated computing power consumption – purchase price charged based on the number of units of SageOne, and taking into account of license
Application development and other services	N/A	Project-based – taking into account the manpower consumption of the relevant services

The following table sets forth a breakdown of our revenues by types of solutions for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Sage Platform and applications										
Software licensing	157,888	16.8	356,156	17.6	596,001	19.3	87,170	18.1	103,429	16.1
SageOne	461,041	48.9	658,398	32.7	895,850	29.1	160,682	33.3	168,306	26.1
Sub-total	618,929	65.7	1,014,554	50.3	1,491,851	48.4	247,852	51.4	271,735	42.2
Application development and other services										
	323,309	34.3	1,003,845	49.7	1,590,786	51.6	234,409	48.6	372,662	57.8
Total	942,238	100.0	2,018,399	100.0	3,082,637	100.0	482,261	100.0	644,397	100.0

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As a platform-centric AI solution provider, we have been dedicated to updating our solutions to provide end users across different industries with unified development environment, standards and rules and to enhance the compatibility of our solutions. As a result of our continuous iteration and optimization efforts, Sage Platform can be generally applied by end users in different industries which do not require significant customization. Our total revenue increased by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, primarily driven by expansion in our number of users from 156 in 2020 to 245 in 2021 and the increased spending of our users, especially the spending of our lighthouse users, evidenced by the increase of our average revenue per lighthouse user from RMB12.3 million in 2020 to RMB13.7 million in 2021. Our revenue generated from Sage Platform and applications as a percentage of our total revenue decreased from 65.7% in 2020 to 50.3% in 2021, as the percentage of total revenue attributed to our application development and other services increased over the same years, primarily driven by the increased demand for customized AI applications due to the expansion of our user base in 2021. The number of users for our application development and other services increased from 68 in 2020 to 139 in 2021. To a lesser extent, the increase of revenue contribution by our application development and other services was also attributable to the recovery from negative impact of COVID-19. Our total revenue increased by 52.7% from RMB2,018.4 million in 2021 to RMB3,082.6 million in 2022, primarily driven by expansion in our number of users from 245 in 2021 to 409 in 2022. Our revenue generated from Sage Platform and applications as a percentage of our total revenue decreased from 50.3% in 2021 to 48.4% in 2022, primarily due to the decrease of revenue contribution of SageOne, which requires more on-site services than our other segments, and thus was more affected by the recurrence of COVID-19 in 2022. Our revenue generated from Sage Platform and applications as a percentage of total revenue decreased from 51.4% in the three months ended March 31, 2022 to 42.2% in the three months ended March 31, 2023 primarily due to the increased revenue contribution from application development and other services over the same periods, driven by the increased demand for customized AI applications.

Sage Platform and Applications

The Sage Platform and applications are delivered primarily through (i) license of software installed on-premise at servers of our end users and (ii) SageOne, our “All-in-One” solutions with pre-installed software on servers and other related hardware, both of which allow our users to develop their own AI applications on Sage Platform. Our Sage Platform and applications are offered as a bundle. Users select the types of Sage Platform and applications and the delivery method based on their needs.

Our Sage Platform and applications are primarily offered through software license and sale of SageOne, rather than on a subscription basis. We are dedicated to creating value for users and addressing their business needs with our solutions. After we help them identify the critical issues, provide solutions and achieve the objectives of business improvement, they will make repeated purchases from us after identifying incremental business needs for AI application within their operations, and expanding their use of our solutions. As our users develop more AI applications for new use cases on our platform and/or increase usage in

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existing use cases which require more computing power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities on a recurring basis. Our ability to create value for users is evidenced by a net dollar expansion rate of 167%, 140% and 126% for our lighthouse users in 2020, 2021 and 2022, respectively. The pricing of Sage Platform and applications are primarily based on the estimated computing power consumption. Based on communications with users, we understand their business needs and estimate the computing power consumption based on the complexity of the use cases, dimensions of the AI models, and the estimated amount of data involved therein.

- The price of our software license is primarily based on the estimated computing power consumption by reference to the AI applications our users plan to deploy. We consider data volume and other specific requests such as the latency, concurrency, queries per seconds, and the number of replicas, among others.
- To complement the sales of software, we also offer SageOne, our software-defined “All-in-One” solutions with pre-built Sage Platform and applications on servers and other related hardware. We charge customers of SageOne by taking into account the number of hardware units, license fees of our software and cost of hardware based on respective model. Hardware units of SageOne refer to units of different models of servers.

We closely communicate with our users to understand their specific business needs for AI deployment in order to estimate the amount of computing power that will be consumed by such clients. Computing power consumption is primarily measured as the number of CPU cores of servers needed to support our software. For software license, we provide software to be installed on-premise at servers of our end users. For SageOne, we offer hardware with pre-built Sage Platform and applications.

In general, computing power consumption is estimated based on a variety of considerations in relation to the specific use cases and applications that users intend to develop. Key considerations include (i) estimated data volume, queries per second (being the number of times a request is sent per second), concurrency (being the number of concurrent tasks) and number of replica (being the number of copies of data), (ii) types of AI algorithms (such as content recommendation, forecasting, fraud detection, etc.), and (iii) other use case-specific requests (such as whether the user is developing an online or offline application, or whether the analytics is real-time or delayed, etc.). In addition to the key parameters, our estimated computing power consumption is also, to a lesser extent, affected by other additional parameters such as the estimated network gateway, latency, the complexity of feature engineering, among others. Typically, more computing power is required for applications with larger data volume, more requirements on other parameters, more complex algorithms and certain specific features such as real-time analytics.

- For software license, we charge customers software license fees based on the required number of CPU cores multiplied by the agreed license fee for each CPU core.

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- For SageOne, based on the estimated computing power consumption and the optimisation effect that could be realised our hardware, we propose to our clients the appropriate model, configuration and number of hardware required for their needs. Price for SageOne is charged based on the number of hardware units, which already covers the license fees for our software. As a result, the price for hardware units may vary significantly based on the configuration of hardware selected by the users. As users are increasingly selecting more advanced servers with higher performance to meet their growing business needs, the price for our Sage One solutions have increased during the Track Record Period.

We also provide pricing adjustments to our clients based on a myriad of factors including spending budgets of clients, business relationship and market conditions. When users have additional needs for our solutions which will require more computing power, they shall purchase additional licenses for our software to be installed on more CPU cores or additional units of hardware accordingly.

In 2020, 2021, 2022, and in the three months ended March 31, 2022 and 2023, the number of our users for software licensing was 70, 96, 88, 42 and 35, respectively, and average revenue per user was RMB2.3 million, RMB3.6 million, RMB6.6 million, RMB2.1 million and RMB3.0 million, respectively. Driven by our comprehensive commercialization of SageOne, in 2020, 2021, 2022, and in the three months ended March 31, 2022 and 2023, the number of our users for SageOne was 57, 66, 83, 24 and 18, respectively, and average revenue per user was RMB8.1 million, RMB8.8 million, RMB11.0 million, RMB6.7 million and RMB9.4 million, respectively. We have experienced growth in the number of users for our software licensing and SageOne from 2020 to 2022, primarily due to our effective go-to-market strategy and business expansion efforts. The average revenue per user for our software licensing and SageOne also increased rapidly during the Track Record Period, which was mainly due to their increased spending of our solutions as they identify incremental business needs for AI within their operations and expand their use of our solutions, reflecting our continuous value creation to users.

Application Development and Other Services

At our users' request, we primarily offer application development services to help them develop customized AI applications on Sage Platform based on their business needs. We charge them on a project basis, the pricing of which is primarily based on the manpower consumption of the relevant services. As our users' demand for AI applications increases with their business expansion, they will continue to procure our application development services, allowing us to capture more service fees on an on-going basis.

USE CASES OF OUR SOLUTIONS

We emphasize value creation. At our users' request and based on their business needs, we work closely with users and help them develop scenario-specific AI applications. Our solutions have created value for enterprises in a myriad of industries, including, but not limited to finance, retail, manufacturing, energy and power, telecommunications, transportation, technology, education, media and healthcare. The following sets forth certain examples of the key use cases of our solutions:

AI + Finance

According to CIC, the strategy of customer-centered cost optimization and risk control in the finance industry is getting increasingly important. Our AI solutions help financial institutions achieve enhanced customer marketing management, internal operation optimization and risk control while increasing income and reducing expenditure. Since we first entered into the finance sector in 2015, we have served many of China's large state-owned banks and joint stock banks, and other financial institutions such as securities companies and insurance companies.

Case study

Bank A is one of the largest state-owned banks in China. We started our collaboration with Bank A since 2017 and have maintained a close business relationship with it ever since. We provided Bank A with Sage Platform through both software licensing and SageOne, and offered application development services. Due to its massive number of transactions, Bank A has devoted significant resources to identifying and preventing fraudulent activities. We help Bank A establish risk control AI models by analyzing its users' historical transaction information, current transaction information and other relevant data, enabling Bank A to unveil the risks behind each transaction more effectively. According to the results of an internal test, the accuracy of our AI fraudulent detection model is approximately 83%, which is over three times more accurate than Bank A's original model based on expert rules before using our solution.

Specifically, to identify and prevent fraudulent transactions, we helped Bank A develop AI applications to estimate the potential fraudulent risks. Utilizing Sage Studio, Bank A analyses data such as transaction records, historical fraudulent transactions, account information, among others. Using Sage Studio, Bank A extracts the characteristics from such data and re-combines them for model training. Powered by our AutoML technology, we help Bank A train the anti-fraud model using logic regression algorithms, which improve the reliability of model training in scenarios with large amount of discrete variables. Our Sage Studio successfully helped Bank A establish a machine learning model, and enabled Bank A to develop anti-fraud applications to automatically identify and prevent fraudulent transactions with AI capabilities. Bank A is able to easily launch and manage its AI applications on Sage AIOS.

AI + Retail

We help retail enterprises build an overall decision-making framework supported by our AI technologies, empowering them to formulate operational strategies based on users' business needs. We enable AI transformation of the entire business process of users, optimizing their decision-making process and operational efficiency.

Case study

Company X is a famous chain store operator, and has used our solutions since 2019 as part of its digital transformation strategy. We provided Company X with Sage Platform through both software licensing and SageOne, and offered application development services. Utilizing our AI-enabled sales and marketing solutions, we empower Company X with big data analytics capabilities to formulate precision marketing strategies and deploy AI at scale. Based on the preferences of different users, our solutions enable Company X to make real-time and personalized recommendations for promotion activities. Utilizing Sage Platform, Company X analyses its user information for model training, such as purchase orders, products added to shipping carts and efficacy of historical product recommendations. Powered by our AutoML technology, our AI developer suites help Company X develop a personalized recommendation engine to predict user preferences and make targeted recommendations and promotions accordingly. The effectiveness of our solutions is evidenced by the increase in Company's per customer transaction amount by 2%, and the increase in its total sales amount by hundreds of millions of RMB.

AI + Manufacturing

We enable AI transformation across the entire manufacturing process, thereby helping our users optimize quality control, arrange and manage manufacturing schedules, and identify errors and defects.

Case study

Company Y is one of the largest lithium-ion battery manufacturers in the world. Their products are widely used in electronic vehicles (“EV”) and energy storage facilities. We have developed a strategic partnership with Company Y since 2020. We provided Company Y with Sage Platform through both software licensing and SageOne, and offered application development services. Company Y is seeking to upgrade their factories and ensure product safety with AI technologies to maintain their competitive edges. We offered Sage Platform as their main infrastructure for large-scale AI applications, supporting various AI application scenarios, such as computer vision quality inspection and equipment controlling. Our Sage AIOS enables Company Y to better manage the massive amount of operational data. Such data is extracted and analyzed by our AI developer suites to discover the patterns which can be applied in optimizing Company Y’s product quality, production safety and customer service quality, among others. In addition, Sage AIOS enables Company Y to easily launch and manage its AI applications at a large scale. Furthermore, our AI scientists are working with Company Y on AI-powered predictive analysis of product safety, trying to address one of the most difficult challenges faced by the EV industry.

AI + Energy and Power

Using big data and machine learning technologies, we enable users to enhance operation safety and reliability, better manage equipment and other assets, and identify and prevent market risks.

Case study

Company Z operates a large-scale hydropower in China. To ensure safety operation, Company Z established over 100,000 inspection points. Its inspection staff need to closely monitor thousands of variable operating data on a daily basis. Company Z endeavors to effectively identify risks, make predictions and early warnings, and enhance decision making from such data.

BUSINESS

We started collaboration with Company Z in 2019. We provided Company Z with Sage Platform through SageOne, and offered application development services. Utilizing our Sage Platform, Company Z developed a forecasting model utilizing historical data such as the temperatures of rotors and bearing bush. Leveraging our AI developer suites, Company Z discovers the correlation among the operating condition of equipment and temperatures of rotors and bearing. Such correlation will be changed in the event of anomaly. Therefore, our solutions enable Company Z to efficiently monitor operation safety and enhance the accuracy and timeliness of anomaly alerting. Benefiting from our solutions, Company Z increased its accuracy of anomaly alerting by more than two times. As a result, Company Z is able to identify and prevent equipment errors and avoid significant losses arising from operation disruptions. We also assist Company Z to establish a data-driven decision making mechanism, ensuring long-term stability of its core business operations. In addition, Sage AIOS enables Company Z to easily launch and manage its AI applications at a large scale.

BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY

Introduction

We were loss-making during the Track Record Period. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, we incurred net loss of RMB750.2 million, RMB1,802.1 million, RMB1,653.4 million, RMB268.2 million and RMB303.9 million, respectively. The net losses were primarily due to the substantial amount of: (i) research and development expenses incurred to develop and enhance our solutions and technology stacks, see “– Research and Development,” (ii) selling and marketing expenses incurred to increase our brand awareness and expand our user base, (iii) general and administrative expenses, which are mainly attributable to share-based compensation paid to our employees, and (iv) interest expense on redemption liabilities in relation to certain preferred rights granted to our investors, which is non-recurring in nature. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, our adjusted net loss (a non-IFRS measure), which is defined as loss for the year by adding back share-based compensation, interest expense on redemption liabilities and listing expenses, amounted to RMB390.3 million, RMB559.1 million, RMB504.3 million, RMB66.8 million and RMB65.1 million, respectively. As we are still at a relatively early stage of our monetization efforts, we have been focusing on continuously optimizing our solutions and expanding our user base.

We plan to continue to enhance our financial performance by (i) effectively attracting and retaining our users, (ii) continuing to create value for users to further monetize our solutions, and (iii) effectively managing our cost and expenses, and enhancing operating leverage. Despite our continued expansion in user base, increase in average revenue per lighthouse user and enhanced capability to manage our cost and expenses, **we may continue to incur net losses and net operating cash outflow in the near future, including the year ending December 31, 2023**, mainly due to our continued investments in research and development of our technologies and solutions, marketing initiatives as well as share-based compensation.

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Effectively attracting and retaining our users

Effectively attracting and retaining our users is crucial to driving revenue growths, and ultimately our ability to achieve profitability. The following table sets forth the numbers of our users and lighthouse users for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
Number of users	156	245	409	125	147
Number of lighthouse users for the previous year	32	47	75	N/A	N/A
Additions	21	33	36	N/A	N/A
Less ⁽¹⁾	6	5	7	N/A	N/A
Number of lighthouse users for the year/period	47	75	104	49	62

Note:

- (1) Refers to lighthouse users in the previous year that ceased to be regarded as our lighthouse users in the given year. However, the business relationship with such users has not been terminated. We have been providing ongoing supporting services to such lighthouse users under our standard service arrangement. Such users ceased to be our lighthouse users in the given year solely because we did not generate revenue from such users in such year from an accounting perspective.

As a result of our effective go-to-market strategy, we had 47, 75, 104, 49 and 62 lighthouse users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, we acquired 21, 33 36 new lighthouse users, respectively, illustrating the value of our solutions and our ability to expand our business. Our lighthouse users contributed 61%, 51%, 60%, 55% and 52% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. Therefore, growth in revenue from lighthouse users is a key driver in our overall revenue growth. Moreover, our expanding base of lighthouse users also help us to attract other users, which in turn further drives our revenue growth. Our initial success with lighthouse users enables us to further penetrate the respective industry and provide solutions to other players in the industry efficiently. As a result, we have accumulated a strong and rapidly growing total user base including both lighthouse users and other users, with 156, 245, 409, 125 and 147 users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. The effectiveness of our go-to-market strategy is evidenced by the rapid growth in the number of other users during the Track Record Period, representing a CAGR of 67.3% from 2020 to 2022, as compared to a CAGR of 48.8% for lighthouse users during the same years, reflecting our ability to penetrate into a larger user base following initial success with lighthouse users.

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We plan to further implement our “go-to-market” strategy by strengthening our relationships with lighthouse users and further penetrate into a larger user base. We also work closely with third-party solution partners and leverage their understanding of end users’ demands, thereby developing tailored marketing strategies and to acquire more users. As our existing users (plenty of which are lighthouse users) benefit from our solutions in more and more use cases, we will naturally be able to establish industry standards and attract more new users both in existing verticals and new verticals. We are able to leverage our experience and success in existing industry and scenario to expand into new industries with similar scenario. For example, successes in intelligent recommendation scenario in the restaurant industry can be leveraged when we are entering into other industries, such as fashion, which also have demands for intelligent recommendation. In addition, we will further optimize and enhance the functions of our solutions so that they can be applied in new scenarios and verticals. Moreover, we plan to recruit and retain talents with in-depth industry knowledge to strengthen our sales and marketing team, thereby leveraging their industry-specific sales experiences to expand users in new industries.

Continuing to create value for users to further monetize our solutions

We are dedicated to creating value to our users. As a result, we are able to explore additional monetization opportunities to help us scale up our revenues and to achieve profitability.

We plan to continue to create value for users and address their business needs by optimizing our solutions, innovating our technologies, providing satisfying customer services, among others. After we help them identify the critical issues, provide solutions and achieve the objectives of business improvement, they usually identify incremental business needs for AI within their operations and expand their use of our solutions. Moreover, as our users develop more AI applications for new use cases on our platform and/or increase usage in existing use cases which require more computing power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities after the initial sale. Our ability to create value for users is evidenced by a net dollar expansion rate of 167%, 140% and 126% for our lighthouse users in 2020, 2021 and 2022, respectively. Moreover, the average revenue per lighthouse user amounted to RMB12.3 million, RMB13.7 million, RMB17.9 million, RMB5.4 million and RMB5.4 million in 2020, 2021, 2022, and in the three months ended March 31, 2022 and 2023, respectively, illustrating our ability to further monetize our solutions. For the years ended December 31, 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, our revenue generated from existing lighthouse users amounted to RMB445.8 million, RMB808.2 million, RMB1,300.4 million, RMB199.4 million and RMB267.0 million, respectively, representing 77.0%, 78.5% 70.0% 74.8% and 79.4% of total revenue generated from lighthouse end users for the same years, respectively. Driven by our successful value creation for lighthouse users, our overall average revenue per user amounted to RMB5.8 million, RMB6.9 million, RMB7.5 million, RMB3.9 million and RMB4.4 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

Effectively managing our cost and expenses, and enhancing operating leverage

Our ability to manage and control our costs and operating expenses is critical to the success of our business and our profitability.

Our cost structure is affected by the mix of our solution offerings. For example, with the launch of SageOne, we incurred an increased cost of finished goods sold as a percentage of revenue during the Track Record Period. We expect our cost of revenues as a percentage of revenue may vary from period to period in the short term as a result of the mix of our solution offerings, while it will generally decrease in the long term due to the following factors:

- As we continue to optimize our algorithms and to enhance the compatibility of software and hardware, we expect to improve the computing efficiency of our solutions, which enables us to enhance user experience while optimizing cost structure; and
- We have invested heavily in developing technology capabilities and infrastructure, in order to provide highly scalable, standardized and flexible solutions for our users. The solutions we offer are highly modularized, which allows us to address users' customized demands effectively and efficiently, and in turn, enabling us to achieve significant overall cost and operating efficiency.

Our selling and marketing expenses (excluding share-based compensation) accounted for 24.1%, 17.7%, 13.1%, 16.7% and 12.9% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. We expect that our sales and marketing expenses as a percentage of total revenue will generally decrease in the long term due to the following factors:

- Our go-to-market strategy starts with market leaders in each industry we target to enter who are also early adopters of AI. We are able to leverage our experience and success in existing industry and scenario to expand into new industries with similar scenario. We demonstrate the value of our solutions through one or a few entry projects. Once our value has been proven, we are then able to expand our services quickly to address other business needs of our users. As a result of our go-to-market strategy, after we succeed with the lighthouse users, we leverage our understanding of the industries, our reputation established through collaborating with industry leaders, and our AI ecosystem to further enhance our influence in such industries, enabling us to further penetrate and provide solutions to other players, without incurring significant sales and marketing efforts;
- We expect to accumulate a larger user base and higher user stickiness as we continuously solidify our market leadership. We expect this to enable us to attract and retain users and, in the long-term, reduce spending on promotions and advertisements. As our users develop more AI applications for new use cases on our platform and/or increase usage in existing use cases which require more computing

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power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities with low marginal cost after the initial sale and improve our profitability. Our ability to create value for users is evidenced by a net dollar expansion rate of 167%, 140% and 126% for our lighthouse users in 2020, 2021 and 2022, respectively;

- We expect to benefit from more efficient user acquisition through word-of-mouth referrals and enhanced brand awareness. With our established brand reputation and large use bases, we expect to continuously generate significant word-of-mouth referrals and organic user growth; and
- We plan to strengthen our relationships with solution partners to retain and expand our user base across various industries, which will help improve our sales and marketing efficiency in the long run.

Our general and administrative expenses (excluding share-based compensation) accounted for 12.7%, 8.6%, 8.1%, 17.2% and 15.7% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. We expect that our general and administrative expenses as a percentage of total revenue will generally decrease in the long term, as the major expense component, employee benefit expenses, generally do not increase proportionally with our revenue growth.

Our research and development expenses (excluding share-based compensation) accounted for 57.3%, 55.3%, 48.8%, 46.8% and 37.5% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. While we will continue to invest in research and development capabilities to support our long term growth, we expect that our research and development expenses will generally decrease as a percentage of total revenue in the long term, as (i) we expect to have stronger bargaining power against our suppliers for outsourced R&D services as we scale up, and are thus able to obtain more favorable pricing terms, and (ii) the major expense component, employee benefit expenses, generally do not increase proportionally with our revenue growth, and thus we are able to enjoy economies of scale as we scale up. We plan to (i) further strengthen our existing core technologies, and (ii) invest in the research and development team of new areas which may lead to the next generation of AI technologies. For example, we are dedicated to developing technologies in the area of data privacy protection, including privacy preserving learning, which is able to enhance data privacy in the process of machine learning, and federated learning which entails training algorithm on local datasets without exchange data samples, thereby enhancing data security and privacy. For details, see “Business – Research and Development.”

Our future profitability is uncertain and subject to various factors, including our ability to develop new technologies, enhance user experience, establish effective monetization strategies, compete effectively and successfully, and continuously grow revenues and our user base in a cost-effective way by improving our operational efficiency. For details, see “Risk Factors – Risks Related to Our Business and Industry – We have recorded net losses, net liabilities and operating cash outflow during the Track Record Period and recorded net current liabilities as of March 31, 2023, and we may not be able to achieve or subsequently maintain profitability.”

OUR TECHNOLOGY

We create and apply advanced technologies to drive the development of our AI solutions. We believe that our technology is at the core of our innovative solutions and we have made significant investments in technologies to ensure our market leadership. We believe that our technologies enable us to deliver more efficient and more cost-effective solutions with higher performance to users. We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. Being a first-mover means we are well ahead of our competitors in terms of efficiency and accuracy of our algorithms. Accumulation of use cases and experience over the years makes our solutions difficult, if not impossible, to be replicated by our competitors.

Our core technologies include AutoML, transfer learning, environment learning and AutoRL. These technologies are embedded as operating modules (“operators”) in our AI developer suites, underlying the AI applications designed and developed by our users. Each of our core technology is a sub-category of machine learning with different focuses, and we do not own, collect or process data of our users on our servers during the machine learning process. AutoML automates the process of machine learning; transfer learning is able to “transfer” the machine learning process conducted in one scenario to another with similarity; environment learning and AutoRL optimizes the machine learning process in dynamic, uncertain, and potentially complex environment. Based on their scenario-specific needs, developers select operators based on different technologies for module training. Specifically, AutoML are used in general decision making scenarios, transfer learning is able to optimize modeling processes in scenarios with insufficient or incomplete samples, and AutoRL together with environment learning are typically used in scenarios such as optimized manufacturing planning, agile supply chain and logistics scheduling.

AutoML

Our AutoML technology automates the process of machine learning and enables algorithms to automatically discover new patterns, hence minimizing the ongoing involvement of AI engineers responsible for developing, adjusting, maintaining and refining the AI models. Conventional AI solutions are mostly specific to individual application scenarios and require AI experts to develop the model from ground up and to continuously refine it. Moreover, the development of AI algorithms requires complex and time-consuming modeling process, and the correct deployment of AI requires consistent data to ensure the model in production performing as good as in the offline modeling process. Specifically, AutoML are used in general decision making scenarios. Powered by AutoML technology, our AI developer suites enable AI models to continuously learn and improve by themselves through discovering new patterns, hence directly reducing the cost, effort and complexity of implementing AI solutions. It also allows large-scale deployment of AI by enterprises because significant involvement of AI experts is no longer required. Our AutoML enables our AI developer suites to automatically refine data, thereby enhancing the efficiency and results of modelling processes. It helps developers screen and extract useful characteristics from data. During the model training process, leveraging AutoML technology, our AI developer suites automate parameter tuning and help users greatly reduce human efforts and costs. It is also constantly self-improving, hence lowering the barriers for deep learning and significantly improving the training quality of our AI developer suites.

As compared to similar technologies applied by our competitors, our proprietary AutoML algorithm is a cutting-edge AutoML algorithm in the world, according to CIC. With our AutoML algorithms, we broke the world records of two Open Graph Benchmark (“OGB”) tasks in April 2021. OGB is a globally recognized collection of benchmark datasets for machine learning on graphs that AI companies and research institutions utilize to test and evaluate their AI model performance. Participants of the OGB tasks include world-famous innovative enterprises and research institutes, such as Facebook, Alibaba, Stanford University and Cornell University. Our AutoML algorithm also ranks top 1% in Kaggle Structured Data and Image Classification Competition 2019. See “– Awards and Recognition.” According to CIC, we were the first in the world to launch a commercialized product using the AutoML framework in 2014, and to apply AutoML in a number of use cases across various industry sectors. For example, according to CIC, we launched the world’s first commercialized AutoCV product in 2018. Our technology leadership and first-mover advantage have contributed to our initial success in acquiring lighthouse users, which in turn enable us to further penetrate and provide solutions to other players in different industries.

Transfer Learning

Our transfer learning technology expands application of AI to industries in which data is sensitive or scarce and resolves privacy issues surrounding application of AI in fields involving sensitive data subjects. Due to the lack of labeling data to meet business needs, as well as the need to improve model effectiveness, transfer learning is now being increasingly recognized. It equips our AI developer suites with the ability to “transfer” analysis conducted and patterns discovered in one industry or scenario to another with similarity, hence being able to provide AI solutions even where data is not readily available or accessible. Transfer learning enables our AI developer suites with capabilities of taking knowledge learned on one problem, and leveraging them on a new, similar problem. For instance, with transfer learning technology on our AI developer suites, knowledge from a model that has learned to recommend books for people may be useful to kick-start a model meant to recommend music. This facilitates AI transformation among enterprises because it reduces the scope of data required for our AI developer suites to produce valuable output and broadens the range of business fields and scenarios in which AI could make a positive impact. Dr. Dai and Dr. Yang Qiang (our co-founder) are the pioneers in transfer learning and are well regarded in the AI industry for their achievements and contributions in steering the direction for the research and development of transfer learning worldwide. Moreover, Dr. Yang currently has the most paper citations in the field of transfer learning, according to CIC. Therefore, as compared to some of our competitors applying similar technologies in China’s platform-centric decision making AI market, our transfer learning technology is better recognized in the industry, which contributes to our competitive advantages in acquiring new customers.

Environment Learning

Our environment learning technology reduces the cost of model training and ensures safety by training models in a simulated environment. It combines technologies such as simulation, supervised learning and derivative-free optimization, and learns the simulation rules and parameters which cannot be performed by humans in a data-driven approach. Traditional simulation technologies heavily rely on the domain knowledge and expertise of developers, and thus may not be applied in environment which requires significant domain knowledge is available. As compared to traditional simulation technologies, our environment learning technology is able to build a high-precision simulated environment without complete domain knowledge, enabling users of our AI developer suites to apply intelligent decision-making technologies in more use cases. Our environment learning technology applies a data-driven approach to learn simulation rules and parameters that cannot be determined by human.

AutoRL

Our AutoRL technology automates the process of reinforcement learning, which refers to the training of machine learning models to make a sequence of decisions in a dynamic, uncertain, potentially complex environment. Traditional reinforcement learning technologies require significant cost of learning, development and application, which limits the application value of reinforcement learning. Our AutoRL operator embedded on our AI developer suites provides end-to-end and automatic suite of tools for reinforcement learning. The effectiveness of reinforcement learning is highly dependent on the structure of underlying models, which require significant scenario-specific knowledge from developers. Powered by AutoRL technology our AI developer suites are able to automatically generate the structure of neural network, which refers to a set of algorithms designed to recognize patterns, and effectively improving the quality of model training. As a result, users are able to develop reinforcement learning algorithms without extensive prerequisite background or knowledge. Our AI developer suites enable users to input their actual business needs, and integrate advanced AutoRL algorithms with AutoML and other technologies such as derivative-free optimization. In addition, AutoRL equips our AI developer suites with features such as automatic algorithm selection and dynamic parameter tuning, and enables our AI developer suites to accurately tune parameters in real-time. AutoRL operator embedded on our AI developer suites enables users to significantly reduce human efforts while improving the effectiveness of reinforcement learning while reducing TCO. As a result, our AI developer suites enable users to realize automatic and refined decision-making at multiple levels in a dynamic, uncertain, potentially complex environment.

According to CIC, we are currently the pioneer in China's platform-centric decision-making AI market that applies environment learning and AutoRL technologies in its operations, which are rarely applied by other competitors. Thus we are better positioned to acquire new users with demand for AI application in complex environment.

BUSINESS

Technology Infrastructure

Our information technology infrastructure is designed to satisfy the requirements of our operations, support the growth of our business and ensure reliability of our operations as well as security of information on our platform.

We are supported by servers in geographically dispersed areas across China, including various locations in Beijing and Inner Mongolia which enables the high availability of our technology infrastructure. In addition, we have in place a comprehensive set of contingency plans to manage potential risks of any emergency or service disruption. For example, we back up our operating data regularly, and our staff responsible for database management perform daily inspection on our backup record to make sure all the operating data is properly archived. We also test the data recovery capability of our systems, which help us ensure our backup data can be completely retrieved. We did not experience any material service disruptions during the Track Record Period and up to the Latest Practicable Date.

We also adopt a highly scalable, cloud-based technology architecture through our cooperation with trusted cloud computing service providers in China. In addition, the compatibility of our existing technology architecture and software solutions allows for swift transition and effective integration across different cloud computing service providers. Therefore, we do not expect any material technological issues or other hurdles for us to switch cloud computing service providers. Our cloud-based technology architecture allows us to process large volumes of data on a real-time basis and ensure high-speed and stable performances on a large scale to accommodate and support the increased complexity and diversity of our business operations. We have been enhancing our technology architecture by increasing the investment in third-party cloud computing services to ensure our cloud architecture can effectively address our growing business needs.

SALES AND MARKETING

Sales

We believe that our solutions speak for themselves. We are dedicated to creating value for users as we ultimately share their success. Our go-to-market strategy starts with market leaders in each industry we target to enter who are also early adopters of AI. We demonstrate the value of our solutions through one or a few entry projects. Once our value has been proven, we are then able to expand our services quickly to address other business needs of our users. The number of our lighthouse users increased from 47 in 2020 to 75 in 2021, and further to 104 in 2022. The number of our lighthouse users has increased from 49 in the three months ended March 31, 2022 to 62 in the three months ended March 31, 2023. Our average revenue per lighthouse user has increased from RMB12.3 million in 2020 to RMB13.7 million in 2021, and further to RMB17.9 million in 2022. For the three months ended March 31, 2022 and 2023, our average revenue per lighthouse user stayed stable at RMB5.4 million.

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After we succeed with the lighthouse users, we leverage our understanding of the industries, our reputation established through collaborating with industry leaders, and our ecosystem to further enhance our influence in such industries, enabling us to further penetrate and provide solutions to other players, without incurring significant sales and marketing efforts.

Our sales cycle primarily consists of initial communications with users, project evaluation and design, proof of concept and contracts execution. As we primarily focus on providing services to large-scale lighthouse users, we may spend significant time on communications with users, project evaluation and design, thereby resulting in longer sales cycles. We leverage both our in-house sales team and third-party solution partners to promote our solutions. We have established a professional in-house sales team. Our employees have deep knowledge of the industries and users that they are responsible for. Our in-house sales team works closely with our product team to ensure that they can propose the best solutions to address the pain points faced by market participants in the relevant industry verticals. To encourage and incentivize our in-house sales team, we have designed a compensation structure that includes a fixed component as well as a performance-based component. We set specific performance targets for each team member. We evaluate such employee's performance every year and pay out performance-based compensation accordingly.

We also work closely with third-party solution partners, which primarily consist of system integrators, and leverage their understanding of end users' demands, thereby developing tailored marketing strategies. For details, see “– Customers and Customer Support” in this section.

Marketing

We enhance the awareness of our brand and promote our new and existing solutions through both offline and online channels. We participate in various offline events, such as industry conferences, product launches and industry salons to showcase our technological advancements and develop relationships with industry participants. We have collaborated with several media partners to promote our brand and technology in news reports.

RESEARCH AND DEVELOPMENT

As AI technology continuously undergoes rapid advancements, our abilities to create new technologies, design new solutions and enhance existing solutions are critical to maintaining our market leadership. Therefore, we invest substantial resources in research and development activities. Our research and development expenses were RMB565.7 million, RMB1,249.5 million and RMB1,650.0 million in 2020, 2021 and 2022, respectively. Our research and development expenses increased from RMB225.7 million for the three months ended March 31, 2022 to RMB241.5 million for the three months ended March 31, 2023, representing 46.8% and 37.5% of our total revenue during the same periods, respectively. During the Track Record Period, our investment in research and development was primarily to (i) develop commercialized products and solutions using our core technologies, demonstrated by, for

example, our launch of Sage AIOS in 2020, and our launch of enterprise-level AI App Store in 2021, see also “– Our Enterprise AI Solutions,” (ii) design and test features of our Sage Platform modules, (iii) develop versatile modules for Sage Platform and applications to accommodate industry-specific demand for AI applications, and (iv) enhance fundamental research and explore new areas which may lead to the next generation of AI technologies, such as federated learning and technologies in the area of data privacy protection, and cutting-edge technologies such as large language models and generative AI to enhance efficiency and productivity. See also “– Our Technology.” In the future, we will continue to invest in research and development activities to enhance our technological capabilities and solution development. See “Future Plans and Use of Proceeds.” Our research and development staff comprises computer scientists, researchers and other technology professionals. As of March 31, 2023, our research and development staff consisted of 1,442 employees, representing 76% of our total employees.

Dr. Dai and Dr. Yang Qiang (our co-founder) are the pioneers in transfer learning and are well regarded in the AI industry for their achievements and contributions in steering the direction for the research and development of transfer learning worldwide. Our research and development staff is led by Mr. Chen Yuqiang, our Chief Research Scientist and a pioneering scholar in the field of transfer learning and AutoML. His works have been published at renowned academic conferences, including NIPS, AAAI, ACL and KDD.

We focus on building and maintaining a large pool of talented researchers to drive our research and development efforts. We conduct targeted recruitment among contestants in high profile programming competitions. Our employees include gold medal winners in prestigious international programming competitions such as ACM. We provide rigorous training to new recruits to familiarize them with our platform and thereby closely integrate them into our research and development staff.

The development of our AI solutions are underpinned by our strong R&D capabilities. Our continuous investments in research and development activities result in a wealth of intellectual properties. As of the Latest Practicable Date, we had over 300 patents registered with the National Intellectual Property Administration of the PRC and over 580 pending patent applications in the PRC. With our proprietary AutoML algorithms, we broke the world records of two Open Graph Benchmark (“OGB”) tasks in April 2021. OGB is a globally recognized collection of benchmark datasets for machine learning on graphs that AI companies and research institutions utilize to test and evaluate their AI model performance. Participants of the OGB tasks include world-famous innovative enterprises and research institutes, such as Facebook, Alibaba, Stanford University and Cornell University. Our AutoML algorithm also ranks top 1% in Kaggle Structured Data and Image Classification Competition 2019. See “– Awards and Recognition.” In addition, we have developed other advanced core technologies including transfer learning, environment learning and AutoRL. For details, See “– Our Technology.”

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In addition, we are exploring new areas which may lead to the next generation of AI technologies. For example, we are exploring advanced technologies in the area of AutoML, including automated graph learning which is designed for analyzing graph data, and automated semi-supervised learning which is designed for analyzing unlabeled data together with labeled data to enhance modeling efficacy. We are also dedicated to developing technologies in the area of data privacy protection, including privacy preserving learning, which is able to enhance data privacy in the process of machine learning, and federated learning which entails training algorithm on local datasets without exchange data samples, thereby enhancing data security and privacy.

DATA PRIVACY AND SECURITY

We do not own, nor do we collect data of our users. Instead, we offer platform and algorithm based on which our users run their own AI models on their own data. Also, we provide enterprise-level AI solutions to organizations and do not serve individuals. Specifically, (i) we are a provider of AI solutions for corporate users, and our primary business is to provide privatization deployment solutions, in which we will not access any data owned or held by corporate users; (ii) for cloud-based subscriptions, we offer Sage Platform and other ready-to-use applications through public cloud services offered by third party vendors and we are only provided with the administration access which allows us to help users with coding and system integration upon users' request for the sole purpose of assisting the users to utilize our solutions, and not in any way participating or assisting the corporate users with data processing activities, and we do not access or process any data of our users; and (iii) our core technologies are sub-categories of machine learning and are embedded as operating modules ("operators") in our AI developer suites, and we do not own, collect or process data of our users on our servers during the machine learning process. Based on the foregoing, we and our PRC Legal Advisor are of the view that both the Company's existing products and solutions, and the products and solutions that are being developed, and their data privacy features as mentioned above comply with data privacy and cybersecurity laws in the PRC effectively in all material respects.

Data security and protection are among our highest priorities. In this regard, we have designed strict data protection and information security policies to ensure strict compliance with applicable laws, regulations and prevalent industry practice. We have implemented comprehensive internal policies on protecting data privacy and security under the supervision of our Chief Architect, with the purpose to ensure data and information security, optimize data governance, protect the benefits of our users, business partners, employees and other third parties, and ensure compliance with all applicable laws and regulations. We have established a Data and Information Security Committee, members of which include the responsible persons in various departments such as IT, R&D, Solution Deployment, Human Resources and Compliance. The committee is responsible for formulating data and information security strategies, and decision-making in material data and information incidents. We also engage external legal counsel to review and update our internal policies and ensure continuous compliance with all applicable laws and regulations.

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

We have established an all-round information system in reference to data security requirements, national standards and industry best practices and intend to continually invest heavily in data security and privacy protection. Our information system applies multiple layers of safeguards, including both internal and external firewalls, to identify and protect us against security attacks. We have completed various information security, privacy and compliance certifications/validations, proving the security and reliability of our data protection technologies. For example, in December 2020, we passed ISO27001 (international standard for information security) and obtained the “Information Safety Management System Certification,” and in February 2020, our Sage Platform obtained the ePrivacyseal, which illustrates our commitment to comply with the requirements of the GDPR.

During the Track Record Period and up to the Latest Practicable Date, we have not received any claim from any third party against us on the ground of infringement of such party’s right to data and privacy protection as provided by any applicable laws and regulations in the PRC or other jurisdictions. Our PRC Legal Advisor is of the view that the current data protection practice of the Company meets the requirements of laws and regulations in effect in material respects, based on the followings: (i) the Company currently does not directly obtain or store customers’ or users’ information in its primary business; (ii) in the Company’s primary business, it mainly accesses the personal information of its employees and business contacts and does not purchase or obtain in any other way any personal information, or carry out any other form of cooperation in respect of exchange, cleaning and processing of personal information; (iii) the Company has not received any complaint relating to data privacy or security measures, nor has it been subject to any government investigation, enquiry, action or penalty; (iv) the Company has implemented comprehensive internal policies on protecting data privacy and security under the supervision of our Chief Architect, with the purpose to ensure data and information security and ensure compliance with all applicable laws and regulations; (v) during the Track Record Period and as of the Latest Practicable Date, there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations, and there had been no investigation or other legal proceeding, to the best knowledge of the Company, pending or threatened against the Group initiated by competent government authorities or third parties, that will materially and adversely affect the Company’s business operations; and (vi) the Company will continue to pay close attention to the legislative and regulatory developments in data security and comply with the latest regulatory requirements. Based on the currently available information and upon (i) discussing with the management of the Company to understand its business nature and internal policies on data security, (ii) interviewing the major customers of the Group, and (iii) discussing with the PRC Legal Advisor and reviewing the PRC Legal Advisor’s analysis set out above, nothing has come to the attention of the Sole Sponsor as non-legal experts that would render them to cast doubt on the PRC Legal Advisor’s conclusion above.

CUSTOMERS AND CUSTOMER SUPPORT

We have two main categories of customers: (i) direct customers who are end users purchasing our solutions directly; and (ii) solution partner customers, who are mainly third-party system integrators that embed our solutions into their offering to cater for end users' specific needs. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, revenue generated from direct customers accounted for 15%, 43%, 32%, 33% and 22% of our total revenue, respectively. We typically grant a credit term ranging from 3 to 6 months for direct customers.

Certain end users of our solutions, especially those in the finance industry, use system integrators when selecting suppliers or service providers, to save them from the trouble of directly negotiating with a large number of different suppliers or service providers and to benefit from the various other services provided by such system integrators. Such end users typically lay out the goals they plan to achieve and the budget for their projects and engage third-party system integrators, instead of engaging us directly. These system integrators typically embed our solutions into their offering to cater for end users' specific needs, and provide various other services to end users, such as implementation services. According to CIC, engagement with end users through solution partner customers is an industry norm. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, revenue generated from such solution partner customers accounted for 85%, 57%, 68%, 67% and 78% of our total revenue, respectively. We typically grant a credit term ranging from 3 to 6 months for solution partner customers.

Although a portion of our customers are solution partners, which mainly are system integrators, not the end users, we do not believe that our business model is a distributorship model. As discussed above, solution partners are not distributors that we engage to broaden our sales channels; instead, they are selected by our end users to implement their projects, and the ultimate decisions as to which service provider to choose are primarily made by the end users. When we enter into a contract with a solution partner, we recognize such solution partner, instead of the relevant end user, as our customer. As such, we do not believe that the solution partners are our distributors, and we do not believe that our business relationship with them raises any concern in relation to inventory risk, cannibalization or recoverability of accounts receivables.

We are dedicated to creating value for users as we ultimately share their success. Our go-to-market strategy starts with market leaders in each industry we target to enter who are also early adopters of AI. We demonstrate the value of our solutions through one or a few entry projects. Once our value has been proven, we are then able to expand our services quickly to address other business needs of these market leaders. After our influence in the business vertical is established, we collaborate with our solution partners to offer our solutions to other long-tail users to achieve market penetration.

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We established a dedicated sales team comprising of sales personnel with work experiences in leading software companies and consulting firms. Our sales team targeting direct customers is usually industry-focused, whereas our sales team targeting solution partners is usually region-focused. We have different approaches of establishing relationship with our target customers depending on our existing commercial relationship with them. We use a “top-down” strategy for certain customers, where our sales team contacts potential customers’ decision-making level personnel and establish strategic cooperation to design comprehensive solutions to empower such customers’ enterprise AI transformation. For target customers with which we have not yet established strong relationship at top level, we use a “bottom-up” strategy, where our sales personnel contact working level personnel of the customers and design solutions on a scenario basis.

The following tables set forth a summary of our five largest customers for the periods indicated.

Five Largest Customers for the Year Ended December 31, 2020	Background	Objects of Transaction	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage Contribution to the Company's Total Revenue	Customer Type	Registered Capital
Customer A	A company focused on information technology	(i) Sage Platform and applications and (ii) application development and other services	2020	49,345	5.2%	Solution partner	USD272.3 million
Customer B	A company focused on e-commerce	Sage Platform and applications	2020	35,990	3.8%	Solution partner	RMB100.0 million
Customer C	A company focused on information technology	Sage Platform and applications	2020	27,973	3.0%	Solution partner	RMB60.0 million
Customer D	A company focused on information technology	Sage Platform and applications	2020	26,022	2.8%	Solution partner	RMB100.0 million
Customer E	An institute focuses on science and technology	Application development and other services	2019	25,022	2.6%	Solution partner	N/A

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Five Largest Customers for the Year Ended December 31, 2021	Background	Objects of Transaction	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage Contribution to the Company's Total Revenue	Customer Type	Registered Capital
Customer F	A company focused on electronic technology	Sage Platform and applications	2021	55,874	2.8%	Direct customer	RMB50.0 million
Customer G	A company focused on information technology	Application development and other services	2021	54,864	2.7%	Solution partner	RMB22.3 million
Customer H	A company focused on information technology	Sage Platform and applications	2019	38,445	1.9%	Solution partner	US\$130.0 million
Customer I	A company focused on information technology	Sage Platform and applications	2021	38,153	1.9%	Solution partner	RMB30.0 million
Customer J	A company focused on information technology	Sage Platform and applications	2021	37,468	1.8%	Solution partner	RMB58.0 million

Five Largest Customers for the Year Ended December 31, 2022	Background	Objects of Transaction	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage Contribution to the Company's Total Revenue	Customer Type	Registered Capital
Customer K	A company focused on transportation solutions	Sage Platform and applications	2021	295,683	9.6%	Solution partner	RMB110.0 million
Customer L	A company focused on information technology	Application development and other services, Sage Platform and applications	2021	138,731	4.5%	Solution partner	RMB54.9 million
Customer H	A company focused on information technology	Application development and other services, Sage Platform and applications	2019	136,509	4.4%	Solution partner	US\$130.0 million
Customer M	A company focused on information technology	Sage Platform and applications	2022	130,245	4.2%	Solution partners	RMB35.0 million
Customer N	A company focused on information technology	Sage Platform and applications	2019	93,858	3.0%	Solution partner	RMB62.8 million

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Five Largest Customers for the Three Months Ended March 31, 2023	Background	Objects of Transaction	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage Contribution to the Company's Total Revenue	Customer Type	Registered Capital
Customer K	A company focused on transportation solutions	Sage Platform and applications	2021	108,402	16.8%	Solution partner	RMB110.0 million
Customer H	A company focused on information technology	Sage Platform and applications	2019	70,442	10.9%	Solution partner	US\$130.0 million
Customer O	A company focused on information technology	Application development and other services	2022	47,453	7.4%	Solution partner	RMB90.0 million
Customer P	A company focused on information technology	Application development and other services	2022	37,359	5.8%	Solution partner	RMB100.0 million
Customer Q	A company focused on information technology	Sage Platform and applications	2023	33,527	5.2%	Solution partner	RMB50.0 million

Our top five customers in each year or period during the Track Record Period in aggregate accounted for 17.4%, 11.1%, 25.8% and 46.1% of our total revenues in 2020, 2021, 2022, and in the three months ended March 31, 2023, respectively. Our largest customer in each year or period during the Track Record Period accounted for approximately 5.2%, 2.8%, 9.6% and 16.8% of our total revenue for the respective year or period.

We enter into written agreements with our direct customers or solution partners. Regardless of whether our contracts were entered into directly with our end users or with solution partners, there was no material difference in the contract terms and the scope of our services. The value of our contracts with customers can vary substantially from customer to customer, depending on their business needs. The salient terms and conditions of our agreements with customers are set out below:

- **Deliverables:** For sales of our Sage Platform and applications, we typically provide non-exclusive licenses of use rights of our solutions and maintenance services related to the solutions. For application development and other services, we typically develop customized applications based on the customer's specification.
- **Pricing:** The price of our software license is primarily based on the estimated computing power consumption by reference to the AI applications our users plan to deploy. We charge users of SageOne by taking into account the number of hardware,

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required computing power, license fees of our software and service fees for deployment, operation and maintenance. For application development and other services, we typically charge customers on a project basis, the pricing of which is primarily based on the manpower consumption of the relevant services.

- **Customer Support:** We typically provide free technical support for one year after the sale of our solutions and free training to help our customers learn to use and maintain our solutions.
- **Ownership:** All intellectual property rights relating to the solutions that we deliver under the agreement, including but not limited to copyrights, patents ownership of the proprietary technologies and trademarks, belong to us. The other party may not conduct any reverse engineering, decompiling, disassembly or use other methods to obtain the source code and underlying algorithms of the software, hardware and related technologies provided by us or to otherwise engage in activities that may harm our proprietary rights.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our customers were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

In our ongoing efforts to enhance user satisfaction and improve service quality, we maintain a dedicated customer support and service team that is focused on real-time problem-solving with the ultimate goal of increasing user experience and stickiness. In addition, we also gather feedback on how to improve our solutions and respond to user suggestions.

As a matter of policy, only hardware products with defects may be returned. Our rigorous quality control procedures ensure that our products are properly examined before being sold. As a result, we experienced an immaterial level of product returns during the Track Record Period. We typically offer a limited warranty for our hardware products. Warranty coverage typically runs for three to five years after our delivery or customers' or users' examination. Pursuant to the agreement with our third party vendors who supply certain standardized components for hardware products of SageOne, our third party vendors should compensate us for liabilities caused by product defects and typically offer us full warranty on the hardware products affected. Such full warranty coverage typically runs for three to five years from the time of purchase by us.

During the Track Record Period, major end users of our solutions include companies in finance, retail, manufacturing, energy and power, telecommunications, transportation, technology, education, media and healthcare industries, among others.

The following tables set forth a summary of our ten largest end users for the periods indicated and to the best of the Company's knowledge.

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Ten Largest End Users for the Year Ended December 31, 2020	Background	Solution/service provided	Examples of major use cases (to the best knowledge of the Company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User A	An energy company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent supply chain inventory prediction platform	77,984
User B	A financial institution	Sage Platform and applications	Intelligent product recommendation and big data decision-making analytics	44,635
User C	A retail company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent product recommendation and intelligent supply chain management system	38,099
User D	A public service organization	Sage Platform and applications	Big data decision-making analytics platform	35,990
User E	A transportation infrastructure company	Sage Platform and applications	Risk control and big data decision-making analytics platform	27,973
User F	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Anti-money laundering platform, intelligent product recommendation and OCR note recognition	27,107
User G	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Anti-fraud platform, intelligent product recommendation and OCR note recognition	24,768

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Ten Largest End Users for the Year Ended December 31, 2020	Background	Solution/service provided	Examples of major use cases (to the best knowledge of the Company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User H	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Intelligent product recommendation and big data decision-making analytics platform	23,600
User I	A technology research institute	Application development and other services	High performance computing solutions	23,456
User J	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Anti-fraud platform and OCR note recognition	22,496

Ten Largest End Users for the Year Ended December 31, 2021	Background	Solution/service provided	Examples of major use cases (to the best knowledge of the Company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User A	An energy company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent electricity dispatching, operation and maintenance solutions	127,862
User F	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Anti-fraud platform and big data decision-making analytics platform	81,498
User H	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Intelligent product recommendation and big data decision-making analytics platform	56,659

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Ten Largest End Users for the Year Ended December 31, 2021	Background	Solution/service provided	Examples of major use cases (to the best knowledge of the Company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User K	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Anti-fraud platform and intelligent recognition platform	47,100
User L	A public service organization	(i) Sage Platform and applications and (ii) application development and other services	Intelligent education cloud system	43,393
User B	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Anti-fraud platform and intelligent recognition platform	42,747
User M	An energy company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent audit system and big data decision-making platform	42,680
User N	A telecommunications company	(i) Sage Platform and applications and (ii) application development and other services	Supply chain management, intelligent operation and maintenance	42,360
User O	A retail company	Sage Platform and applications	Software platform	33,285
User J	A financial institution	(i) Sage Platform and applications and (ii) application development and other services	Anti-fraud platform and intelligent recognition platform	32,675

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Ten Largest End Users for the Year Ended December 31, 2022	Background	Solution/service provided	Examples of major use cases (to the best knowledge of the Company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User A	An energy company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent operation and maintenance	169,359
User P	A railway vehicle and equipment manufacturer	Sage Platform and applications	Intelligent operating efficiency	122,743
User Q	An energy company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent operation and maintenance	112,666
User R	A railway vehicle and equipment manufacturer	Sage Platform and applications	Intelligent operating efficiency	97,135
User S	An energy company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent operating efficiency	91,423
User T	A telecommunications company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent operation and maintenance	87,873
User M	An energy company	(i) Sage Platform and applications and (ii) application development and other services	Risk management/ operating efficiency	80,745
User U	A telecommunications company	(i) Sage Platform and applications and (ii) application development and other services	User behavior analysis and intelligent recommendation	74,529

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Ten Largest End Users for the Year Ended December 31, 2022	Background	Solution/service provided	Examples of major use cases (to the best knowledge of the Company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User N	A telecommunications company	(i) Sage Platform and applications and (ii) application development and other services	User behavior analysis and intelligent recommendation	63,831
User V	A transportation service company	(i) Sage Platform and applications and (ii) application development and other services	Intelligent operation and maintenance	59,564
Ten Largest End Users for the Three Months Ended March 31, 2023	Background	Solution/service provided	Major use cases (to the best knowledge of the company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User V	A transportation service company	(i) Sage Platform and applications (ii) Application development and other services	Intelligent operating efficiency	70,070
User E	An energy company	(i) Sage Platform and applications (ii) Application development and other services	Intelligent operating efficiency and decision making	44,332
User W	A transportation service company	(i) Sage Platform and applications	Intelligent operating efficiency	35,414
User U	A telecommunications company	(i) Sage Platform and applications	Intelligent operating efficiency	33,527
User X	An equipment manufacturing company	(i) Application development and other services	Intelligent operating efficiency and decision making	26,038
User Y	An airline organisation	(i) Application development and other services	Intelligent operation and risk management	25,161

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Ten Largest End Users for the Three Months Ended March 31, 2023	Background	Solution/service provided	Major use cases (to the best knowledge of the company)	Transaction Amounts (either directly with the Company or through solution partners) (RMB'000)
User Z	A banking equipments provider	(i) Sage Platform and applications	Intelligent operating efficiency	23,009
User P	A railway vehicle and equipment manufacturer	(i) Sage Platform and applications	Intelligent operating efficiency	22,924
User AA	An insurance company	(i) Sage Platform and applications	User behavior analysis and intelligent recommendation	21,416
User AB	A transportation service company	(i) Application development and other services	Intelligent information system development	19,075

The following table sets forth the revenue contribution by industry of our end users during the Track Record Period.

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	Transaction Amounts (RMB'000)	Percentage of Total Revenue	Transaction Amounts (RMB'000)	Percentage of Total Revenue	Transaction Amounts (RMB'000)	Percentage of Total Revenue	Transaction Amounts (RMB'000)	Percentage of Total Revenue	Transaction Amounts (RMB'000)	Percentage of Total Revenue
Energy and Power	138,294	14.7%	441,964	21.9%	626,549	20.3%	104,591	21.7%	73,196	11.4%
Finance	292,469	31.0%	576,550	28.6%	519,630	16.9%	92,737	19.2%	127,782	19.8%
Transportation	nil	nil	nil	nil	405,016	13.1%	35,293	7.3%	193,238	30.0%
Telecommunication	73,145	7.8%	175,380	8.7%	328,372	10.7%	50,981	10.6%	47,686	7.4%
Technology	64,496	6.9%	138,482	6.9%	298,988	9.7%	46,218	9.6%	33,589	5.2%
Education	66,665	7.1%	124,228	6.2%	235,170	7.6%	36,318	7.5%	42,017	6.5%
Manufacturing	23,833	2.5%	102,461	5.1%	201,686	6.5%	2,107	0.4%	44,981	7.0%
Retail	100,812	10.7%	176,758	8.8%	132,172	4.3%	25,080	5.2%	23,024	3.6%
Healthcare	nil	nil	57,359	2.8%	101,876	3.3%	45,203	9.4%	402	0.1%
Media	53,955	5.7%	134,660	6.7%	29,698	1.0%	16,307	3.4%	21,809	3.4%
Others	128,569	13.6%	90,556	4.5%	203,480	6.6%	27,425	5.7%	36,672	5.7%
Total	942,238	100.0%	2,018,399	100.0%	3,082,637	100.0%	482,261	100.0%	644,397	100.0%

SUPPLIERS AND PROCUREMENT

Our suppliers primarily consist of (i) providers of research and development services, (ii) providers of implementation services and (iii) others, such as providers of servers and cloud services and providers of other professional services. Our top five suppliers in each year or period during the Track Record Period in aggregate accounted for 13.7%, 21.7%, 26.4% and 38.3% of our total purchases in 2020, 2021, 2022 and in the three months ended March 31, 2023, respectively. Our largest supplier in each year or period during the Track Record Period accounted for approximately 3.4%, 6.5%, 10.1% and 14.7% of our total purchases in 2020, 2021, 2022 and in the three months ended March 31, 2023, respectively.

Key terms of our agreements with providers of research and development services are set out below:

- *R&D services.* Our suppliers provide research and development services based on our requirements as specified in the agreement.
- *Delivery and inspection.* Our suppliers shall complete the project within the prescribed time period, and deliver all relevant software and documents. We are entitled to inspect their work products and provide written comments for suppliers to address.
- *Copyright.* We are entitled to all copyrights in relation to the R&D projects, including but not limited to the technical materials, documents, source codes and applications.
- *Termination.* The agreement may be terminated upon mutual consent between the parties.

Key terms of our agreements with providers of implementation services are set out below:

- *Implementation services.* We shall provide detailed requirements and explanations in written for our suppliers to provide implementation services accordingly. We are entitled to change the implementation cycle, alter the services or terminate the agreement with prior written notice.
- *Pricing and payment.* Prices of implementation services are based on the estimated manpower consumption as agreed by both parties. Fees are typically settled on a monthly basis.
- *Indemnification.* Each party shall indemnify the other party for any damages caused by its fault.
- *Termination.* The agreement may be terminated upon mutual consent between the parties, or unilaterally terminated by each party due to breach of agreement by the other party. In addition, we are also entitled to terminate the agreement with prior written notice, provided that we shall pay the suppliers all fees and expenses they have incurred as of the termination date.

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We have established a set of internal measures on selection of suppliers. We take into account various factors in selecting our suppliers, which primarily include (i) the candidates' technology skillsets and capabilities, (ii) commercial terms offered by the candidates, (iii) business background, results of operations and financial positions of the candidates, and (iv) project-specific demands. When engaging suppliers, our procurement department is primarily responsible for reviewing the procurement agreements in accordance with our contract management protocols, which set forth, among others, that procurement exceeding RMB6 million must be subject to approvals by legal department, finance department or the chief executive officer.

During the Track Record Period, we have not experienced any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers or delay in delivery of our orders from our suppliers.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

The following tables set forth a summary of our five largest suppliers for the periods indicated.

Five Largest Suppliers for the Year Ended December 31, 2020	Background	Major Services/ Products Purchased	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage of the Company's Total Purchases	Registered Capital
Supplier A	A company focused on financial data services	Hardware	2020	62,504	3.4%	RMB50.0 million
Supplier B	A company focused on information technology	Development services	2019	54,689	3.0%	RMB50.0 million
Supplier C	A company focused on information technology	Deployment services	2019	50,599	2.7%	RMB34.0 million
Supplier D	A company focused on electric power	Development services	2018	49,395	2.7%	RMB42.6 million
Supplier E	A company focused on information technology	Development services	2020	36,390	2.0%	RMB80.0 million

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Five Largest Suppliers for the Year Ended December 31, 2021	Background	Major Services/ Products Purchased	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage of the Company's Total Purchases	Registered Capital
Supplier D	A company focused on electric power	Development services	2018	170,716	6.5%	RMB42.6 million
Supplier F	A company focused on information technology	Development services	2020	135,215	5.2%	RMB80.0 million
Supplier C	A company focused on information technology	Deployment services	2019	119,364	4.6%	RMB34.0 million
Supplier G	A company focused on information technology	Deployment services	2019	77,004	2.9%	RMB64.3 million
Supplier H	A company focused on information technology	Development services	2020	66,378	2.5%	RMB390.3 million
Five Largest Suppliers for the Year Ended December 31, 2022	Background	Major Services/ Products Purchased	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage of the Company's Total Purchases	Registered Capital
Supplier F	A company focused on information technology	Development services	2020	342,672	10.1%	RMB80.0 million
Supplier D	A company focused on electric power	Development services	2018	220,697	6.5%	RMB42.6 million
Supplier I	A company focused on construction services	Hardware	2022	153,226	4.5%	RMB100.0 million
Supplier J	A company focused on industrial manufacturing	Hardware	2022	102,246	3.0%	RMB10.0 million
Supplier H	A company focused on information technology	Development services	2020	75,064	2.2%	RMB390.3 million

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Five Largest Suppliers for the Three Months Ended March 31, 2023	Background	Major Services/ Products Purchased	Year of Commencement of Relationship with the Company	Transaction Amounts (RMB'000)	Percentage Contribution to the Company's Total Purchases	Registered Capital
Supplier I	A company focused on construction services	Hardware	2022	107,945	14.7%	RMB100.0 million
Supplier D	A company focused on electric power	Development services	2018	49,388	6.7%	RMB42.6 million
Supplier F	A company focused on information technology	Development services	2020	44,512	6.1%	RMB80.0 million
Supplier J	A company focused on industrial	Hardware	2022	40,539	5.5%	RMB10.0 million
Supplier H	A company focused on information technology	Development services	2020	38,905	5.3%	RMB390.3 million

Our five largest suppliers shifted from a mix of hardware vendors and development service providers in 2020 to consisting entirely development service providers in 2021, primarily because of our increased demand for third party technology services driven by our enhanced research and development efforts and the expansion of our business.

Our Directors confirmed our negotiations with these companies were on an arm's length basis. In addition, the terms of transactions with these companies are in line with market practice and similar to those with our other customers and suppliers. Except as disclosed above, none of our other top five suppliers during the Track Record Period were also our customers, and none of our other top five customers during the Track Record Period were also our suppliers.

COMPETITION

We face competition in China's decision-making AI market from other AI solution providers. The principal competitive factors in our industry include functionality, scope and performance of solutions, scalability and reliability of services, technology capabilities, marketing and sales capabilities, user experience, pricing, brand recognition and reputation. In addition, new and enhanced technology may further increase competition in our industry. We believe that we are well positioned to compete effectively on the basis of the foregoing factors.

Nevertheless, some of our existing competitors have greater name recognition, broader global footprint, longer operating histories, larger user bases as well as greater financial, technical and other resources. See "Risk Factors – Risks Related to Our Business and Industry

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– If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected” in this Prospectus. For more information on the competitive landscape of our industry, see “Industry Overview.”

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business. We currently hold many intellectual properties related to our core solutions, and we devote significant time and resources to their development and protection. We rely on a combination of patent, trademark, copyright, domain name, trade secret and other proprietary rights protection laws in China and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our intellectual properties. During the Track Record Period, our core technologies were patented. Such patents are typically valid for 20 years.

As of the Latest Practicable Date, we had over 300 patents registered with the National Intellectual Property Administration of the PRC and over 580 pending patent applications in the PRC. We also had 11 registered patent overseas. As of the Latest Practicable Date, we had over 600 trademarks registered in the PRC, European Union, Singapore and Hong Kong. As of the Latest Practicable Date, we had over 490 copyrights registered with the National Copyright Administration of the PRC. See “Appendix VI – Statutory and General Information – Further Information About Our Business – Intellectual Property Rights” for details of our material intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings regarding intellectual property rights with third parties.

EMPLOYEES

We had 1,904 employees as of March 31, 2023. The following table sets forth a breakdown of our employees by function as of March 31, 2023.

Function	Number of Employees	Percentage (%)
Research and development	1,442	76
Sales and marketing	208	11
General and administrative	254	13
Total	1,904	100

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Substantially most of our employees are based in the PRC, primarily located at our headquarters in Beijing, with some of the rest located in Shenzhen, Shanghai, Guangzhou, Wuhan and Changchun.

Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of the core strengths of our company. We adopt high standards and strict procedures in our recruitment, including campus recruitment, online recruitment, internal referral and recruitment through executive search, to satisfy our demands for different types of talents.

We provide regular and specialized training tailored to the needs of our employees in different departments. Our employees can also improve their skills through our development of solutions and mutual learning among colleagues. New employees will receive pre-job training and general training.

We offer competitive compensation for our employees. In addition, we regularly evaluate the performance of our employees and reward those who perform well with higher compensation or promotion.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We also procure that subsidiaries we acquired comply with applicable labor-related laws and regulations.

We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and noncompetition with our executive officers and full-time employees. These contracts typically include a noncompetition provision effective during and up to two years after their employment with us and a confidentiality provision effective during and after their employment with us.

None of our employees are currently represented by labor unions. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

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INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance, as required by PRC laws and regulations. We also purchase supplemental commercial medical insurance for our employees.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. See the section headed “Risk Factors – Risks Related to Our Business and Industry – Our limited insurance coverage could expose us to significant costs and business disruption” in this Prospectus. During the Track Record Period, we did not make any material insurance claim in relation to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are committed to be a responsible corporate citizen, to abide by applicable laws and generally accepted ethical principles and to increase the wellness of the society. As we vision ourselves to provide world-leading AI platforms and solutions that catalyze progression of society and growth of enterprises, we attach great importance to environmental, social and governance matters, including environmental sustainability, social responsibility and governance (“ESG”).

Environment, Climate and Sustainability

Given the nature of our business, we do not operate any production facilities or otherwise impose any material threats to the environment or the climate. Therefore, we are not subject to significant environmental or climate-related risks. Nonetheless, we have made significant efforts towards environmental protection, change and sustainability.

AI for Low Carbon

As we optimize our algorithms, coupled with distributed architecture design and our all-in-one design, we are able to shorten the training time needed for our AI model and utilize the hardware resources efficiently, thereby achieving the same results with less computing power and, in turn, saving electricity consumption. We also strive to empower enterprises to achieve carbon neutrality and emission peak via our AI solutions. For example, the accuracy of load forecasting has a huge impact on costs of any power system, and our decision-making AI solutions, by utilizing technologies such as environmental learning and high-dimensional computing, are able to significantly reduce the error rate in such forecast, intelligently plan and

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allocate resources within the power system to save power consumption effectively. Moreover, we believe that as AI and its application develop and mature, AI can solve problems more efficiently than traditional technologies, ultimately resulting in less energy consumption.

In addition, we make efforts to save electricity energy in our daily office life as a part of our corporate culture. We operate most of our businesses digitally and utilize cloud-based services to reduce consumption of paper and renovate our offices with environmental-friendly materials, in an effort to keep our carbon consumption low. For example, we paint our offices in light colors and make sure the curtains are open during daytime to reduce use of lighting. We also arrange our office superintendents to inspect the building regularly and turn down the lights in empty rooms. We have imposed office policies for air conditioning with considerations to season, weather and use scenario to manage the energy consumption of air conditioning and displayed notices adjacent to the air conditioners to remind our employees of the environmental impact.

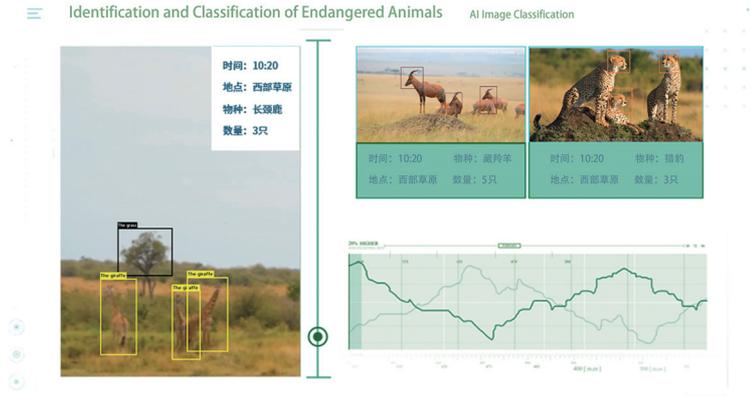
In line with our vision for sustainable development, we oversee our environmental protection performance in aspects such as the use of electricity and water. During the Track Record Period, our costs of electricity consumption were RMB0.4 million, RMB0.6 million, RMB1.4 million and RMB0.2 million, in 2020, 2021, 2022 and in the three months ended March 31, 2023, respectively. During the Track Record Period, our costs of water consumption were RMB0.09 million, RMB0.05 million, RMB0.08 million and RMB0.01 million, in 2020, 2021, 2022 and in the three months ended March 31, 2023, respectively. We are dedicated to enhancing the efficiency of electricity and water consumptions in our operations to fulfill our environmental and social responsibility. The table below sets forth our electricity and water consumptions and consumption efficiencies during the Track Record Period.

	Year ended December 31,			Three months ended
	2020	2021	2022	March 31, 2023
Total electricity consumption (kWh'000)	359	514	1,434	230
Electricity consumption (kWh'000)/revenue (RMB in millions)	0.38	0.26	0.47	0.36
Total water consumption* (liter'000)	118	71	103	14
Water consumption* (liter'000)/revenue (RMB in millions)	0.13	0.04	0.03	0.02

* Our water consumption comprises primarily of the cost of purchasing bottled water in each year indicated, as other expenses relating to water consumption is negligible.

AI for Biodiversity

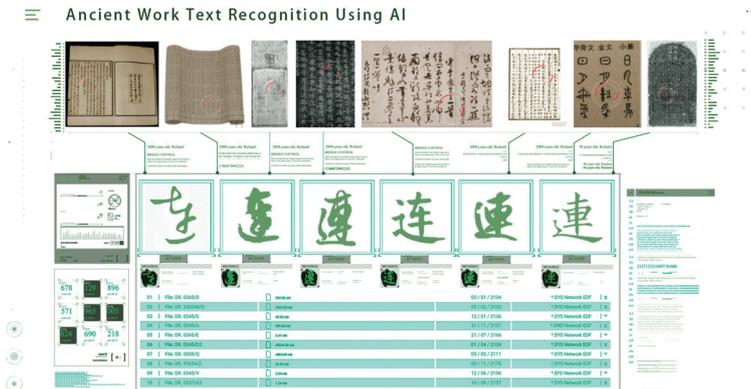
We use our AI technologies to facilitate preservation of biodiversity. Our AI technologies enable people to identify, analyze and capture images of endangered wild animal with high accuracy, providing invaluable information sources for animal behavior study, discovery of wild animal’s living pattern and the environmental ecosystem in general.



Social Responsibility

AI for culture

Significant portions of the history and culture of human being are recorded in antiques and ancient books. However, we may lost the information embedded in a large number of ancient books because of technical difficulties in physically preserving these books and in identification of ancient texts. Learning ancient texts is an extremely difficult tasks for human beings, whereas AI technologies are at an advantage: By processing large amounts of illegible texts, our AI solutions are able to discover patterns and rules and therefore learn to identify the texts in an accurate and efficient manner. For example, our AI solutions empowered the recovery of ancient Tripitaka.



AI for education

We established “Paradigm Academy” for the purpose of educating enterprises on AI. We established AutoML.ai, an open source AutoML challenge platform, which allows us to interact with and learn from top academic institutions, multinational technology companies and AI scientists in the world. We made OpenMLDB and OpenAIOS in our Sage AIOS an open source platform to share our achievements in AI operating systems with developers across the world. In addition, we are dedicated to nurturing AI talents. We were certified as a cooperating training center by the China Electronic Information Application Education Center (CEIAEC) in 2021. We also cooperate with various education and research institutions to provide AI courses and trainings to teachers and students. In addition, we made a RMB330 thousand donation to the University of Chinese Academy of Sciences Education Foundation to establish the “4Paradigm Scholarship,” awarding graduate students with good character who show academic excellence in fields including but not limited to computer science, mathematics, automation and software engineering.

Employee care

We believe that having a balanced lifestyle is crucial to achieving a good mindset at work. Therefore, we encourage employees to maintain good mental and physical health by participating in sports and recreational activities. With respect to our safety policy, we require all employees to follow our safety rules and receive safety training, which includes fire drills and video on evacuation and other fire safety measures.

We nurtured a friendly and inspirational corporate culture that we believe is attractive to the talented scientists who are keen to our success, and we invest heavily in training and retaining them. We provide adequate resources to help them succeed, including easy access to our rich internal resources for training and studying, our invaluable industry-related insights and opportunities to work in an inclusive community with our similar-minded scientists.

Governance***ESG Governance Scheme***

As part of our efforts to promote corporate social responsibility and sustainable development, we are in the process of optimizing our corporate governance on environmental, social and corporate governance. We plan to adopt a comprehensive ESG policy and establish an ESG committee responsible for overseeing and guiding our ESG initiatives. In addition, we intend to set up an ESG task force led by our legal department, which would be responsible for the formulation, implementation and evaluation of our ESG initiatives and report to our ESG committee regularly. Moreover, we plan to engage professional external ESG consultants to help us establish and improve our ESG policies and standards.

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Each year, the ESG task force will perform identification and evaluation of ESG risk factors each year, weighing the risks of different ESG factors, including environmental, social and climate-related risks, by evaluating aspects such as affected scope, frequency of occurrence, recovery costs, predictability and social awareness, so that we can pinpoint the key ESG risk factors and formulate mitigation measures accordingly. In such assessment, we may also use metrics such as percentage of renewable energy used for our solutions, employee air travel emissions, percentage of suppliers that have an environmental program in place, potable water use per square foot and/or waste to landfill per square foot.

AI Code of Ethics

We intend to adopt an AI code of ethics that addresses our beliefs in the key ethical values in the development and use of AI, primarily including integrity and virtuousness, respect for intellectual property rights and data security and protection.

We upheld integrity and virtuousness as the principles that guide our daily operations, business engagements, development and use of AI and technologies. We believe technology is a force for good, we abide by applicable laws and generally acceptable moral values, and we strive to create value to our users and the society as a whole.

As an innovation-driven company, we are highly committed to protection of intellectual property rights. We have designed and adopted strict internal procedures to ensure the protection of our intellectual property rights as well as to operate our business without violating others. See “– Risk Management and Internal Control – Compliance and Intellectual Property Risk Management” for details of our data protection policy and measures.

Data security and protection are among our highest priorities. We have implemented comprehensive internal policies on protecting data privacy and security, including establishing a Data and Information Security Committee, members of which include the responsible persons in various departments such as IT, R&D, Solution Deployment, Human Resources and Compliance. We do not own nor do we collect data of our users in our business operations. See “– Data Privacy and Security” for details of our data protection policy and measures.

Environmental Management System

Worldwide environmental issues such as climate change, natural resources depletion and species loss are becoming increasingly prominent. Despite that our operations do not involve any production facilities or otherwise impose any material threats to the environment, we still make our best effort to minimize our impacts on the environment. We intend to adopt a company-wide environmental management system (“EMS”) that aligns with customary international standards. The ESG committee will be responsible for overseeing, and the ESG task force will be responsible for implementing the EMS.

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During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to noncompliance in relation to health, work safety or environment regulations and had not had any incident, or received any claim for personal or property damage made by our employees, which had materially and adversely affected our financial condition or business operations. Given that we operate our business primarily in the office, and that a majority of our operations are conducted online, we leave limited impact on the environment with a small carbon footprint. In light of such business nature, environmental-related and social-related risks and climate-related issues are not likely to have material negative impacts on our business, strategy and financial performance going forward. During the Track Record Period and up to the Latest Practicable Date, we had not incurred material capital expenditures or compliance costs related to climate and environmental protection. In 2020, 2021 and 2022 and the three months ended March 31, 2023, our annual capital expenditures and compliance costs in this regard amounted to no more than RMB1 million. We also do not anticipate to incur material capital expenditures or compliance costs related to climate in the foreseeable future.

PROPERTIES

We occupy certain properties in mainland China, Hong Kong and Singapore. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Our headquarters are based in Beijing. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of March 31, 2023, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

We do not own any properties. As of the Latest Practicable Date, we primarily leased fourteen properties in Beijing, Shanghai, Shenzhen, Changchun, Guangzhou, Wuhan, Chengdu, Nanjing, Changsha and Wuxi, with an aggregate gross floor area of approximately 20,134.42 square meters in mainland China as our office space. We believe that there is sufficient supply of properties in mainland China and we do not rely on the existing leases for our business operations. In addition, we leased several work stations in Hong Kong and Singapore. Our technology infrastructure is supported by servers in geographically dispersed data centers across China, including various locations Beijing and Inner Mongolia, that are fault-tolerant, which ensures the high reliability of our platform. We believe that we could relocate these servers to new properties without material disruption to our business, because we have made data backup in our servers in Beijing, which enables recovery of our system within a few hours in the event of any disruptions, including relocations of to these servers.

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For more information about the risks with respect to our leased properties, see “Risk Factors – Risks Related to Our Business and Industry – Failure to renew our current leases at reasonable terms or to locate desirable alternatives for our offices and facilities could materially and adversely affect our business and results of operations.”

Furthermore, ten of our leased properties for our business operations in China have not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with relevant PRC government authorities does not affect the effectiveness of the lease agreements, but the relevant PRC government authorities may order us to, within a prescribed time limit, register the lease agreements. Failure to do so may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. See “Risk Factors – Risks Related to Our Business and Industry – Certain of the lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.”

Though none of our leases have been terminated or voided during the Track Record Period, if any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. We believe that there are alternative properties at comparable rental rates available on the market, the use of which would not materially and adversely affect our business operations.

U.S. EXPORT CONTROL LAWS AND REGULATIONS

Effective March 2, 2023, the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”) added certain entities to the entity list (the “Entity List”), including “4Paradigm Technology Co., Ltd.” with aliases “4Paradigm,” “4th Paradigm,” and “Fourth Paradigm”. The address of such entity was provided as “Building 1, No. 66 Qinghe Middle Street, Haidian District, Beijing, China.” Out of an abundance of caution and unless or until we receive further clarification from BIS, we will assume that all entities located at the address provided in the Entity List are subject to the Entity List restrictions in order to comply with the relevant restrictions. These entities specifically include: Beijing Fourth Paradigm Technology Co., Ltd., Fourth Paradigm (Beijing) Data & Technology Co., Ltd., Beijing Paradigm Empowerment Enterprise Management Co., Ltd., Beijing Xuexian Intelligent Technology Co., Ltd., Beijing Yuntian Xinrui Technology Co., Ltd., Beijing Future Paradigm Technology Co., Ltd., Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd., and Zhimei Xinchuang (Beijing) Technology Co., Ltd. (the “Listed Entities”). For more details of these entities, see “History, Development and Corporate Structure – Our Principal Subsidiaries” and Note 1 to the Accountant’s Report in Appendix I to this Prospectus. However, it is possible that not all Listed Entities are subject to the restrictions.

The addition of the Listed Entities to the Entity List restricts those entities’ ability to purchase, acquire, or otherwise access any items subject to Export Administration Regulations, 15 C.F.R. Parts 730-774 (“EAR”) without a license from BIS. Specifically, absent a license from BIS, it is prohibited to export, reexport, or transfer any items subject to the EAR when any Listed Entity is a party to the transaction, including as purchaser, intermediate consignee,

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ultimate consignee, or end-user. That is, even if the Listed Entity is not the intended end user of the item(s) involved, the restrictions would still apply to the extent the Listed Entity is the purchaser or otherwise involved in a given transaction. License applications to the Listed Entities will be reviewed with a presumption of denial for all items subject to the EAR. For further information, see “Regulatory Overview – U.S. Export Control Laws and Regulations.”

As concluded by Jacobson Burton Kelley PLLC (“JBK”), our legal opinion counsel as to U.S. export control laws, the Entity List restrictions do not apply to non-listed entities in our Group that are legally distinct from the Listed Entities (the “Non-listed Entities”). That is, BIS has explicitly advised that “the licensing and other obligations imposed on an entity by virtue of being listed on the Entity List do not per se apply to its subsidiaries, sister companies, or other legally distinct affiliates that are not listed on the Entity List.” However, a Non-listed Entity (or any other person) may not act as an agent, a front, or a shell company for a Listed Entity in order to facilitate transactions that would not otherwise be permissible with the Listed Entity.

Further, the Entity List restrictions applicable to the Listed Entities apply to items subject to the EAR only where such items would be imported, procured, or obtained by the Listed Entities as of the effective date of the designation on the Entity List. For example, if the Listed Entities obtained an item subject to the EAR prior to March 2, 2023, the Listed Entities would not be prohibited from continuing to access or use such item post-Entity List designation. However, the Listed Entities would be prohibited from obtaining additional quantities of, or updated versions of, such item as of March 2, 2023.

JBK confirmed that U.S. and non-U.S. persons/companies would not be prohibited from continuing to export, reexport, or transfer (in-country) items subject to the EAR to the Non-listed Entities as long as (i) the hardware, software, or technology are not exported, reexported or transferred, directly or indirectly, to the Listed Entities; (ii) such U.S. origin items not diverted to the Listed Entities by any other person; and (iii) the Listed Entities are not the purchaser, intermediate consignee, ultimate consignee or end-user of the items subject to the EAR. In addition, U.S. or non-U.S. suppliers may continue to provide items even to Listed Entities provided that: (i) the items are not subject to the EAR; or (ii) the parties obtain the necessary export licenses from BIS (subject to a licensing policy of denial). Based on JBK’s legal analysis and conclusions made after reviewing the information we provided and relevant U.S. law, we do not anticipate that the addition to the BIS Entity List will have a material effect on our business or research and development operations.

The Listed Entities purchased (prior to the Entity List designation) certain office software products which are U.S.-origin items. These office software programs are mostly required for our Group’s day-to-day operations and are not directly used to create and develop our solutions. These office software programs do not contribute to the revenue of our Group directly and procurement of such office software programs accounted for nil, 0.004% and 0.013% of our total procurement in 2020, 2021 and 2022, respective. Following the Entity List designation, the Listed Entities will source this type of software from an alternative Chinese manufacturer/supplier in the future and are already sourcing such non-U.S. software from

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suppliers in China. Further, the Entity List restrictions would not prohibit even the Listed Entities from purchasing from U.S. office software suppliers any products and services that are not subject to the EAR or where no export, reexport, or transfer occurs (*e.g.*, certain Software-as-a-Service products).

The Listed Entities previously purchased U.S.-branded office computers and monitors. Procurement of such office computers and monitors accounted for 0.04%, 0.03% and 0.04% of our total procurement in 2020, 2021 and 2022, respectively. Although we have reason to believe certain of these products may not be subject to the EAR, should the Listed Entities need to purchase any additional quantities of such products in the future, they will confirm with the manufacturers in writing that such products are indeed not subject to the EAR. Even if these products are subject to the EAR, (i) the Listed Entities are not prohibited from continuing to use those items subject to the EAR which were procured *prior* to the Entity List designation; (ii) we believe that going forward, the Listed Entities can source equivalent products not subject to the EAR from alternative suppliers at a comparable price and in a timely manner; and (iii) these particular products are used by the Listed Entities only for day-to-day operations and are not directly used to create and develop our software or technology. For these reasons and based on information we provided to JBK, JBK concluded that it did not expect the potential inability of the Listed Entities to source the above-mentioned office computers and monitors would have a material adverse impact on our business or operations.

To our knowledge, servers and related products incorporating U.S.-branded chips, are the only items procured by the Listed Entities which may incorporate components subject to the EAR. These servers and graphic cards include central processing units (CPUs) and AI accelerators, both of which are hardware components of our SageOne products. CPUs are general processors and essential for computing workloads, and AI accelerators are components for improving the speed and efficiency of AI workloads. Our separate U.S. export control counsel helped us prepare supplier certificates, aimed at collecting the information needed from the Listed Entities' suppliers to ascertain whether items supplied to the Listed Entities may be subject to the EAR or whether these suppliers otherwise expect their supply of items to the Listed Entities to be affected by Entity List restrictions on the Listed Entities. Information requested in such certificates included whether items supplied to the Listed Entities were manufactured or produced in the United States, transited through the United States, incorporated U.S.-origin components, or the "direct products" of certain controlled U.S.-origin software or technology (or are the direct product of a plant or major plant component that is itself the direct product of such controlled U.S.-origin software or technology). Where the items incorporated U.S.-origin components, suppliers were asked to provide information on the relative value of the U.S. components, and the particular version or model of the U.S. items incorporated in the product supplied to us. These supplier certificates were completed and returned by 19 of the top 20 suppliers of goods and services to the Listed Entities (the "Top Suppliers"). Purchases from these Top Suppliers represented 47.8% of our Group's total procurement in 2022. Based on the supplier certifications completed by the Top Suppliers, it appears that of this set of suppliers, only the suppliers of servers and graphics cards may incorporate components subject to the EAR.

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We do not believe that the Entity List restrictions regarding U.S.-branded chips in servers and graphics cards procured by our Group will have a significant effect on our Group's operations and services. As an initial matter, our suppliers report that they do not believe the U.S.-branded chips incorporated into such products were manufactured in the United States. If the U.S.-branded processors and devices are not of U.S.-origin, those components should not be included in the *de minimis* analysis. As a result, the servers containing such U.S.-branded chips should not be subject to the EAR. However, should the Listed Entities need to purchase any additional quantities of such products in the future, they will re-confirm with our suppliers that such products are indeed not subject to the EAR.

Even if the servers procured by the Listed Entities were subject to the EAR, *e.g.*, because the processor and devices incorporated within them are of U.S.-origin, the suppliers of such servers have reported that there are alternative Chinese-origin processors and devices that can be used in place of any U.S.-origin items. The Listed Entities are able, therefore, to source servers containing only chips that are neither U.S.-origin nor otherwise subject to the EAR. Moreover, SageOne is a software-defined product, designed to optimize computing, network and storage resources. Where the value of the SageOne products contributed by us primarily comes from the software developed by us, we optimize the design and architecture of such AIO solution, we do not significantly rely on the performance of CPUs and AI accelerators from specific suppliers.

One type of SageOne products already used servers incorporating exclusively Chinese-origin processors, the functions of which are equivalent to products using servers incorporating U.S.-branded processors. Moreover, for the year ended December 31, 2022 and the three months ended March 31, 2023, none of our contracts with customers specifically states that U.S.-origin chips or processors are required. We also believe it would not cause a significant delay to begin sourcing servers with only Chinese processors. As stated above, our suppliers can and already do supply certain products with only Chinese-origin processors and, therefore, the Listed Entities would need only change the products procured from our existing suppliers and would not need to seek new suppliers as a result of the Entity-List Designation.

Moreover, sales of AIO products which do not contain U.S.-branded chips accounted for more than half of sales of our AIO solutions for each of the year ended December 31, 2022, and the three months ended March 31, 2023. Users of our products which do not contain U.S.-branded chips include well-recognized companies, demonstrating that such models are suitable for, and respected by, such lighthouse users. In addition, according to CIC, many Chinese-manufactured chips have demonstrated comparable performance with U.S.-branded chips, and the supply of such Chinese chips is adequate. We also conducted our own analyses comparing the relative performance of AIO products containing Chinese chips and AIO products containing U.S.-branded chips, and concluded that the performance of these AIO products are comparable. Moreover, based on the comparison between AIO products containing Chinese chips and AIO products containing U.S.-branded chips, there is no material difference between these products in terms of performance, functionality, set-up time, procurement costs, replacement frequency or maintenance costs. For these reasons, we believe replacing the U.S.-branded processors and devices with Chinese-origin alternatives would not have a material adverse impact to our Group's business operations or financial performance.

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Based on the facts provided and JBK's legal analysis under the U.S. export control laws, JBK was of the view that any potential inability of the Listed Entities or their non-listed affiliates to purchase or procure servers containing U.S.-origin content should not have a significant adverse impact on the Listed Entities or their affiliates.

The Listed Entities do not plan to procure U.S.-origin items, or other items subject to the EAR in the future, unless they can do so in compliance with U.S. export controls. We were unable to identify any items subject to the EAR not currently sourced or used by the Listed Entities which they would need to use or plan to use in future research and development, operations, or production activities.

Regarding our research and development activities, we are able to rely on only Chinese-produced items. Our research and development activities do not rely on U.S.-origin hardware or software, or hardware or software that is otherwise subject to the EAR.

In light of the above, our Directors are of the view that the Entity List designation of the Listed Entities should not have any material adverse impact on our business and financial performance. Such conclusion is made based on a number of conservative assumptions, including (i) we assumed that all entities located at the address listed on the U.S. Entity List are subject to the Entity List restrictions. However, it may be the case that the restrictions do not apply to all such Listed Entities; (ii) we assessed the likely impact of the designation of the Listed Entities to the U.S. Entity List based on the assumption that servers procured by the Listed Entities are subject to U.S. export controls, e.g., because the chips used are of U.S.-origin.; and (iii) we considered the risk that the BIS Entity List designation could be expanded to cover additional entities in our Group beyond those currently identified. As of the date of this Prospectus, none of our material investors, customers, or suppliers have withdrawn their investment, ceased doing business with us due to the BIS Entity List designation, or notified us in writing or otherwise of their intention to do so. In addition, based on our best knowledge, we are not aware of (i) any existing customers/suppliers that decided to terminate their business relationship that or reduce their purchases/supplies from us due to the Entity-List addition, or due to the restrictions on the Listed Entities' ability to purchase, acquire, or otherwise access items subject to the EAR without a license from BIS, or (ii) any potential customer that chose not to cooperate with us due to the Entity-List addition, or due to the restrictions on the Listed Entities' ability to purchase, acquire, or otherwise access items subject to the EAR without a license from BIS. We are also not aware of any litigation or arbitration proceedings or other legal actions arising from or in connection with the BIS Entity List designation. According to CIC, after the Entity-List designation, there is no change in the overall competitive landscape or our potential market share due to the Entity-list designation considering that the Entity List designation of the Listed Entities should not have any material adverse impact on our business and financial performance.

In sum, based on the information provided to JBK for their review and legal compliance analysis, as supplemented by information provided by our suppliers, JBK concluded that: (i) many of the hardware and software items procured by the Listed Entities from the Top Suppliers do not appear to be subject to the EAR; and (ii) those items procured by the Listed Entities that do appear to be subject to the EAR (or which the Company cannot definitively confirm are not subject to the EAR) are either not material to the development of the

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Company's products, or can be replaced with alternative and equivalent items not subject to the EAR, at a comparable price and in a timely manner. For this reason, JBK is of the view that the designation of the Listed Entities to the Entity List should not have a material impact on the business or operations of our Group.

Based on the due diligence performed by the Sole Sponsor, and considering the Directors' and JBK's views mentioned above, nothing has come to the attention of the Sole Sponsor that would cause it to cast any doubt on the views of the Directors, or on the views of JBK.

Internal Control Measures

We have recently established a series of export control compliance measures to address and mitigate risks related to U.S. export controls, including the following:

- We engaged outside U.S. export controls compliance counsel (separate from JBK) to advise on the development of a trade controls compliance program to mitigate the risk of violation U.S. export controls and sanctions.
- On April 7, 2023, we adopted a Global Trade Controls Compliance Policy, as well as standard operating procedures addressing sanctions and export controls compliance. The policy and each set of procedures were formally approved by our management and leadership team.
- On April 7, 2023, our management circulated to all Group employees a management commitment statement, outlining and restating our commitment to compliance with applicable export controls. We are in the process of implementing the measures outlined in the policy and procedures.
- We also adopted standard language for use in our sales contracts and purchase contracts addressing compliance with applicable export controls and sanctions laws and regulations. The contractual language requires the Group's business partners to comply with all applicable export control and economic and trade sanction laws, regulations and resolutions formulated by China, the United States, and other applicable jurisdictions and to disclose to us any connections to restricted persons.
- Our customers must also attest to the accuracy of the information provided regarding the end-use and end-users of our products, and refrain from selling or exporting our products to restricted persons or persons in sanctioned or high-risk countries or for prohibited end uses.
- The Company's suppliers must attest to the accuracy of the information provided in the supplier certificates, and that the items supplied are not supplied in violation of U.S. export control laws.

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- We screened our current customers, suppliers, business partners of the Listed Entities, and other third parties with which these companies currently do business, against sanctions and export control restricted party lists maintained by the EU, United States, and U.K. and determined that none of our existing business partners are listed on any such lists.
- Our outside U.S. export controls compliance counsel recently conducted two separate training programs for us on compliance with U.S. sanctions and export controls. These training programs were attended by our senior executives and management. Pursuant to the Global Trade Controls Compliance Policy we adopted, we will continue to conduct trade controls compliance training on a regular basis.

JBK has undertaken a desk-top review of our recently adopted trade controls compliance measures and are of the view that the trade controls compliance program, upon implementation and if properly enforced, should provide a reasonable internal control framework for us to identify and mitigate any material risk relating to the Listed Entities having been added to the BIS Entity List.

Our Directors, after consulting with its outside U.S. export controls compliance counsel, are of the view that the trade controls compliance program, upon implementation, is adequately tailored to address and mitigate the risk of violating U.S. export controls, and the relevant compliance measures, if properly implemented and enforced, will provide a reasonable internal control framework for the Company to identify and mitigate any material risk relating to the Entity List Designation.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

According to our PRC Legal Advisor, the business operations we engaged in had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

LICENSES AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for the business operations in which we engaged in China.

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License/Permit	Entity Holding the License/Permit	Grant Date	Expiration Date
Customs Record Receipt of Consignees and Consignors of Imported and Exported Goods	4Paradigm Beijing	June 21, 2019	Long-term
Work Safety Permit	Guangzhou Jianxin	December 03, 2021	December 03, 2024
The Construction Enterprise Qualification Certificate	Guangzhou Jianxin	December 24, 2021	December 31, 2023*
Guangdong Province Qualification Certificate for Design, Construction and Maintenance of Safety Technology Protection System	Guangzhou Jianxin	September 27, 2021	September 26, 2023*

* We plan to file application to renew the Construction Enterprise Qualification Certificate and the Guangdong Province Qualification Certificate for Design Construction and Maintenance of Safety Technology Protection well in advance of these certificates' expiration. We do not expect any legal impediment to the renewal of these certificates.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates necessary to conduct our actual business operations from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Financial Reporting Risk Management

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

Information System Risk Management

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

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

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

We have established an all-round information system in reference to data security requirements, national standards and industry best practices and intend to continually invest heavily in data security and privacy protection. Our information system applies multiple layers of safeguards, including both internal and external firewalls, to identify and protect us against security attacks. We have completed various information security, privacy and compliance certifications/validations, proving the security and reliability of our data protection technologies. For example, in December 2020, we passed ISO27001 (international standard for information security) and obtained the “Information Safety Management System Certification,” and in February 2020, our Sage Platform obtained the ePrivacyseal, which illustrates our commitment to comply with the requirements of the GDPR.

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During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of our data. See “– Data Privacy and Security” in this section for more information about our information security procedures and policies.

Compliance and Intellectual Property Risk Management

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

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

Internal Control Risk Management

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

Human Resources Risk Management

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

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

Investment Risk Management

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

AWARDS AND RECOGNITION

The following table sets forth major awards and recognitions we received as of the Latest Practicable Date.

Award/Recognition	Award Year	Awarding Institution/Authority
Ranked 1st in the IDC 2022 Market Share of Machine Learning Platforms in China	2022	International Data Corporation (IDC)
Ranked 1st in the Market Share of Machine Learning Platforms in China	2021	International Data Corporation (IDC)
Ranked 1st in the Market Share of Intelligent Decision-Making Solutions in China	2021	International Data Corporation (IDC)
Global Representative Vendor of Composite AI Emerging Technologies and Trends Impact Radar™	2020	Gartner
Global Representative Vendor of AutoML in 2020 Top Ten Strategic Technology Trends™	2020	Gartner

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Award/Recognition	Award Year	Awarding Institution/Authority
Ranked No. 1 in the China Predictive and Analytics and Machine Learning Wave™	2020	The Forrester Wave
World's 50 Smartest Companies	2020	MIT Technology Review
World Champion of KDD Cup AI 100	2020	KDD Presidium
Ranked Top 1% in Kaggle Structured Data and Image Classification Competition	2019 & 2020	CB Insights
Wu Wenjun AI Science and Technology Award First Prize	2019	Kaggle
	2016	Chinese Association for Artificial Intelligence

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out information regarding the Directors:

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining Our Group	Role and Responsibility
Executive Directors					
Dr. Dai Wenyuan (戴文淵)	40	Chairman of the Board, Executive Director, Chief Executive Officer and General Manager	August 5, 2015	January 2, 2015	Overall strategic planning, business and technology direction and operational management
Mr. Chen Yuqiang (陳雨強)	36	Executive Director and Chief Research Scientist	December 19, 2017	March 16, 2015	Overall management of technology and product research and development
Mr. Yu Zhonghao (于中灝)	36	Executive Director, Chief Financial Officer and Vice President	February 9, 2021	May 7, 2018	Overall management of investment and financing, finance, legal and post-investment related matters
Non-executive Directors					
Dr. Yang Qiang (楊強)	61	Non-executive Director	November 28, 2016	November 3, 2014	Overall board affairs, and strategic advice and guidance on product and technology research and development
Mr. Dou Shuai (竇帥)	33	Non-executive Director	February 9, 2021	February 9, 2021	Overall board affairs, and strategic advice and guidance on the business operation of the Group
Mr. Zhang Jing (張晶)	42	Non-executive Director	February 9, 2021	February 9, 2021	Overall board affairs, and strategic advice and guidance on the business operation of the Group

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining Our Group	Role and Responsibility
Independent Non-executive Directors					
Mr. Li Jianbin (李建濱)	44	Independent Non-executive Director	July 16, 2021	July 16, 2021	Participating in the decision making for our Company's significant events, and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management
Mr. Liu Chijin (劉持金)	61	Independent Non-executive Director	July 16, 2021	July 16, 2021	Participating in the decision making for our Company's significant events, and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management
Ms. Ke Yele (柯燁樂)	42	Independent Non-executive Director	August 8, 2022	August 8, 2022	Participating in the decision making for our Company's significant events, and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management

Note: Each of our Directors had no relationship with other Directors, Supervisors or members of senior management of our Company as at the Latest Practicable Date.

Executive Directors

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

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Dr. Dai has approximately 14 years of experience in the AI technology industry. Prior to joining our Company, he served as Chief Research and Development Architect at Baidu Online Network Technology (Beijing) Co., Ltd.* (百度在線網絡技術(北京)有限公司) from May 2009 to May 2013, where he was responsible for the research, development and management of advertising system of the Baidu search.

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

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

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

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

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

Mr. Chen currently serves as the supervisor of certain subsidiaries of our Company including, 4Paradigm Shenzhen, Shanghai Shishuo and 4Paradigm Technology. He also serves as the director of Snowline Technology, one of the subsidiaries of our Group.

Mr. Yu Zhonghao (于中灝), aged 36, is an executive Director, Chief Financial Officer and Vice President of our Company. Mr. Yu joined our Group in May 2018 and has served as our Director since February 2021. He was re-designated as our executive Director on July 16, 2021. He is primarily responsible for the overall management of investment and financing, finance, legal and post-investment related matters.

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Prior to joining our Group, Mr. Yu worked as Business Analyst at Macquarie Investment Advisory (Beijing) Company Limited from January 2011 to March 2012. He then joined the investment banking division of Bank of America Merrill Lynch, Hong Kong Branch in March 2012. Subsequently, Mr. Yu worked at CCB International Asset Management Limited from April 2014 to August 2018, where his last position was Associate Director and Team Head of Direct Investment Division.

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

Non-executive Directors

Dr. Yang Qiang (楊強), aged 61, is a non-executive Director of our Company. Dr. Yang joined our Group in November 2014. He was the Chief Science Consultant of the Company from November 2014 to December 2017. He has served as our Director since November 2016 and was re-designated as our non-executive Director on July 16, 2021. He is primarily responsible for overall board affairs, and strategic advice and guidance on product and technology research and development.

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

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

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

Mr. Dou Shuai (竇帥), aged 33, is a non-executive Director of our Company. Mr. Dou joined our Group as Director in February 2021 and was re-designated as our non-executive Director on July 16, 2021. He is primarily responsible for overall board affairs, and strategic advice and guidance on the business operation of the Group.

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

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

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

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

Mr. Zhang received a Bachelor's degree in Accounting in July 2003 and a Master's degree in Business Administration in July 2005 from Tsinghua University (清華大學) in the PRC.

Independent Non-executive Directors

Mr. Li Jianbin (李建濱), aged 44, was appointed as an independent non-executive Director on July 16, 2021. He is primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Li has over 20 years of experience in tax advisory, investment matters and financial management. He is currently serving as the Managing Partner at the Strategic Investment Department of a subsidiary of Xiaomi Corporation (SEHK: 1810), a position he has held since April 2020, and prior to that, between December 2017 and April 2020, he was the Vice President of the Finance Department where he was responsible for optimizing the capabilities of the group's Finance Department, managing its tax matters and overseeing its merger and

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acquisition projects. From July 2001 to November 2017, he held various positions at PricewaterhouseCoopers Consultants (Shenzhen) Limited Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司), where his last position was Tax and Commercial Advisory Partner. Currently, Mr. Li also serves as an independent non-executive director of Chaoju Eye Care Holdings Limited (SEHK: 2219).

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

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

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

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

Ms. Ke Yele (柯燁樂), aged 42, was appointed as an independent non-executive Director on August 8, 2022. She is primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors, Supervisors and senior management.

Ms. Ke has been serving as the general manager of the Belle Consumer Fund of Belle International (China) Limited since May 2021. From January 2012 to January 2016, Ms. Ke served at Sequoia Capital Consulting (Beijing) Co. Ltd. (紅杉資本顧問諮詢(北京)有限公司), where her last position was the vice president. She was the founding partner of Shanghai

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Fengshang Investment Management Co., Ltd. (上海峰上投資管理有限公司) (the general partner of Shanghai Fengshang Venture Capital Partnership (Limited Partnership), one of our pre-IPO investors until August 2019) from March 2016 to May 2021.

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

SUPERVISORY COMMITTEE

The Supervisory Committee currently consists of three Supervisors as of the date of this Prospectus. The Supervisors include two shareholder Supervisors and one employee Supervisor. The shareholder Supervisors and the employee Supervisor are elected at the Shareholders' meetings and the staff representative assembly, respectively, for a term of three years, subject to re-election upon their retirement or resignation. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets out information in respect of the Supervisors.

Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining Our Group	Role and Responsibility
Mr. Chai Yifei (柴亦飛)	42	Chairman of the Supervisory Committee, Shareholders' Representative Supervisor	July 9, 2021	October 19, 2015	Supervising the performance of our Directors and members of senior management, and performing other supervisory duties as a shareholders' representative Supervisor
Ms. Zhou Wenjing (周文靜)	41	Shareholders' Representative Supervisor	July 16, 2021	March 19, 2018	Supervising the performance of our Directors, and members of senior management and performing other supervisory duties as a shareholder's representative Supervisor

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Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining Our Group	Role and Responsibility
Ms. Shao Liling (邵麗玲)	40	Employee Supervisor	July 9, 2021	December 17, 2015	Monitoring financial position of our Group, and supervising the performance of Directors and senior management as a representative of our employees

Note: Each of our Supervisors had no relationship with other Directors, Supervisors or members of senior management of our Company as at the Latest Practicable Date.

Supervisors

Mr. Chai Yifei (柴亦飛), aged 42, is Chairman of our Supervisory Committee, a shareholders' representative Supervisor and Vice President of our Company. Mr. Chai joined our Group in October 2015 and is primarily responsible for supervising the performance of our Directors and members of senior management, and performing other supervisory duties as a shareholders' representative Supervisor.

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

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(China) Co., Ltd. (微軟(中國)有限公司) where her last position was University Recruiter. From October 2015 to March 2018, Ms. Zhou served as Senior Campus Recruiting Manager at Sanliuling Technology Co., Ltd. (三六零科技集團有限公司).

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

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company.

Name	Age	Position/Title	Date of Appointment	Date of Joining Our Group	Role and Responsibility	Expiration Date of Employment Contracts of Senior Management Member
Dr. Dai Wenyuan (戴文淵)	40	Chairman of the Board, Executive Director, Chief Executive Officer and General Manager	August 2015, January 2015, August 2015	January 2015	Overall strategic planning, business and technology direction and operational management	Non-fixed term
Mr. Pei Misi (裴灞思)	43	President	July 2019	July 2019	Overall strategic planning, and management of business and sales and customer success	June 30, 2027
Mr. Chen Yuqiang (陳雨強)	36	Executive Director and Chief Research Scientist	December 2017, March 2015	March 2015	Overall management of technology and product research and development	Non-fixed term
Mr. Hu Shiwei (胡時偉)	37	Chief Architect	March 2015	March 2015	Overall management of technology and product architect and design	Non-fixed term
Mr. Yu Zhonghao (于中灝)	36	Executive Director, Chief Financial Officer and Vice President	February 2021, January 2021, May 2018	May 2018	Overall management of investment and financing, finance, legal and post-investment related matters	September 30, 2025
Mr. Tu Weiwei (涂威威)	35	Principal Scientist and Vice President	April 2015	April 2015	Leading our research and development of machine learning algorithm and other academic research	Non-fixed term
Mr. Zheng Zhao (鄭墨) (formerly known as Mr. Zheng Meng (鄭盟))	34	Vice President	October 2018	October 2018	Leading our AI technology structure planning and relevant product and technology research	September 30, 2026

Note: Each of our members of senior management had no relationship with other Directors, Supervisors or members of senior management of our Company as at the Latest Practicable Date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Dai Wenyuan (戴文淵), aged 40, is the Chairman of our Board, an executive Director, Chief Executive Officer and General Manager of our Company. For details of his biography, see “– Board of Directors.”

Mr. Pei Misi (裴瀾思), aged 43, is the President of our Company. Mr. Pei joined our Group in July 2019. He is primarily responsible for overall strategic planning, and management of business and sales and customer success.

Prior to joining our Group, Mr. Pei served at SAP (China) Holding Co. Ltd from February 2012 to June 2019, where his last position was Vice President.

Mr. Pei received a Bachelor’s degree in Enterprise Management (International Enterprise Operation Management) in July 2002 and a Master’s degree in Management Engineering from Tianjin Normal University (天津師範大學) in the PRC in June 2005.

Mr. Chen Yuqiang (陳雨強), aged 36, is an executive Director and Chief Research Scientist of our Company. For details of his biography, see “– Board of Directors.”

Mr. Hu Shiwei (胡時偉), aged 37, is the Chief Architect of the Company. Mr. Hu joined our Group as Chief Architect in March 2015 and was the shareholders’ representative Supervisor from November 2016 to July 2021. He is primarily responsible for overall management of technology and product architect and design.

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

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

Mr. Yu Zhonghao (于中灝), aged 36, is an executive Director, Chief Financial Officer and Vice President of our Company. For details of his biography, see “– Board of Directors.”

Mr. Tu Weiwei (涂威威), aged 35, is the Principal Scientist and Vice President of our Company. Mr. Tu joined our Group in April 2015. He is primarily responsible for leading our research and development of machine learning algorithm and other academic research.

Prior to joining our Group, Mr. Tu served as a Senior Engineer of Research and Development at Baidu (China) Co., Ltd. (百度(中國)有限公司) from July 2012 to March 2015.

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Mr. Tu received a Bachelor's degree in Computer Science and Technology and a Master's degree in Computer Application Technology from Nanjing University (南京大學) in the PRC in June 2009 and in June 2012, respectively.

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

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

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

Except as disclosed above, each of our Directors, Supervisors and members of senior management has not been a director of any public company whose securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Except as disclosed above, none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

Except as disclosed above, none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Except as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Xiong Fei (熊飛) was appointed as Board Secretary and Joint Company Secretary in July 2021 and August 2021, respectively. Mr. Xiong joined our Group as Vice President in August 2020, responsible for the Group's investment and financing activities. Prior to joining our Group, Mr. Xiong worked as Analyst at Royal Bank of Scotland until February 2010. He worked at Barclays Capital from March 2010 to September 2012. From September 2012 to June 2020, Mr. Xiong served at CDH Investments Management (Hong Kong) Limited where his last position was Executive Director of Private Equity.

Mr. Xiong received a Bachelor's degree in Economics in July 2007 and a Master's degree in Economics in July 2009 from Peking University (北京大學) in the PRC.

Ms. Yeung Siu Wai Kitty (楊小慧) was appointed as the other Joint Company Secretary of our Company in August 2021. Ms. Yeung is a Manager of Corporate Services of Tricor Services Limited. She has over 14 years of experience in the corporate secretarial field and she has been providing professional corporate services to Hong Kong listed companies as well as private and offshore companies.

Ms. Yeung is an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Yeung holds a Bachelor of Social Science (Honours) in Administration and Public Management from the City University of Hong Kong and a Master of Corporate Governance from The Open University of Hong Kong (presently known as Hong Kong Metropolitan University).

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

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Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.4 and paragraph D.3 of Part 2 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Li Jianbin, Mr. Liu Chijin and Dr. Yang Qiang. Mr. Li Jianbin, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the Chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- guiding internal audit work;
- examining the financial information of our Company, reviewing financial reports and statements of our Company and giving comments on relevant matters;
- assessing the effectiveness of internal control;
- coordinating the communication among management, internal audit department, related departments and external audit agency; and
- dealing with other matters that are authorized by the Board or involved in relevant laws and regulations.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of Part 2 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Ms. Ke Yele, Dr. Yang Qiang and Mr. Li Jianbin. Ms. Ke Yele serves as the Chairlady of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the job responsibilities, the importance of their positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies;
- examining the criteria of performance evaluation of Directors and the senior management of our Company, and conducting annual performance evaluation;
- supervising the implementation of the remuneration plan of the Company; and
- dealing with other matters that are authorized by the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of Part 2 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Dr. Dai Wenyuan, Mr. Liu Chijin and Mr. Li Jianbin. Dr. Dai Wenyuan serves as the Chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- making recommendations to our Board with regards to the size and composition of our Board based on our Company's business operation, asset scale and equity structure;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board;
- conducting extensive search and providing to our Board suitable candidates for Directors, general managers and other members of the senior management;
- examining our Board candidates, general manager and members of the senior management and making recommendations to our Board;
- assessing and reviewing the independence of independent non-executive Directors; and
- dealing with other matters that are authorized by our Board.

EMPLOYMENT ARRANGEMENT OF SENIOR MANAGEMENT

We normally enter into (i) an employment contract and (ii) a confidentiality and non-competition agreement with each of our senior management members. The key terms of such contracts are set forth below.

- *Terms:* We normally enter into a four-year or non-fixed term employment contract with our senior management members. For details of the expiration date of the employment contracts of our senior management members, please refer to the paragraph headed “— Senior Management” in this section.
- *Non-competition:* the non-competition obligations shall subsist throughout the employee's period of employment and up to two years after termination of employment. During the non-competition period, without prior written consent from our Company, the employee shall not (i) instigate, induce, solicit or encourage any of our employees to terminate the employment relationship with us; (ii) solicit any of our customers or suppliers to terminate the business relationship with us or

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

substantially reduce the transaction amount with us; and (iii) engage in a business (self-owned or others') of the same industry as our Company, or hold any position in any other entity which engages in similar business, develops and sells similar solutions developed or sold by our Company, or competes with our Company.

Confidentiality

- *Confidential information:* The employee shall keep confidential information, namely confidential business-related information of our Company, including but not limited to any invention, product, computer software, and technical solutions that were developed in the course of work or based on our Company's technology or business information. The employee shall also keep in confidence business secrets and related business arrangements of our business partners that he or she becomes aware in the course of work, and any confidential business information that the employee is responsible to keep for any other third parties.
- *Obligation and duration:* The employee shall not, without prior written approval from the Company, divulge, publish, transfer or otherwise disclose any confidential information to any third party, or any of our employees who is not permitted to receive such information under the confidentiality policy. Such obligation of confidentiality shall continue to be effective for the term of his or her employment and thereafter, and until the relevant information has been publicized by our Company or otherwise known to the public.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors received their remuneration in the form of salaries, social security, housing benefits and other employee benefits, the employer's contribution to the pension plans, discretionary bonuses and share-based compensation.

For the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, the aggregate amount of emoluments paid or payable to our Directors amounted to approximately RMB3.6 million, RMB109.5 million, RMB5.6 million and RMB1.4 million.

For the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, the aggregate amount of emoluments paid or payable to our Supervisors amounted to approximately RMB1.8 million, RMB8.5 million, RMB5.3 million and RMB1.4 million.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending December 31, 2023 to be approximately RMB11.2 million. The actual remuneration of Directors and Supervisors in 2023 may be different from the expected remuneration.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For each of the years ended December 31, 2020, 2022 and the three months ended March 31, 2023, there was not any Directors or Supervisors among the five highest paid individuals. For the year ended December 31, 2021, there were two Directors among the five highest paid individuals. The total emolument for the remaining individuals among the five highest paid individuals for the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023 were RMB138.4 million, RMB96.7 million, RMB404.7 million and RMB4.8 million, respectively.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

For details regarding the terms of the Employee Incentive Scheme, please refer to the section headed “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.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after the Listing.

Pursuant to code provision C.2.1 of the Corporate Governance 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. We do 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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 above, our Directors consider that upon Listing, we will comply with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

BOARD DIVERSITY POLICY

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, computer science, AI technology, legal, economics, investment and accounting. They obtained degrees in various areas including computer science, law, economics, mathematics, astrophysics, finance. Our board diversity policy is well implemented as evidenced by the fact that there are Directors ranging from 32 years old to 61 years old with experience from different industries, sectors and genders.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We are committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will review the board diversity policy from time to time, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives to ensure its continued effectiveness. We will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the Global Offering, our Company is owned as to 23.82% by Dr. Dai, 14.35% by Paradigm Investment and 2.27% by Paradigm Yinyuan. Both Paradigm Investment and Paradigm Yinyuan are indirectly controlled by Dr. Dai and Ms. Wu, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively. Paradigm Chuqi (whose general partner is Beijing New Wisdom) owns 59.59% limited partnership interest in Paradigm Investment. Paradigm Tianqin (whose general partner is Beijing New Wisdom) owns 37.92% limited partnership interest in Paradigm Yinyuan. Accordingly, Dr. Dai as our Controlling Shareholder, by himself and through his close associates, Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, controlled approximately 40.44% of our total issued share capital as of the Latest Practicable Date, and together, they constitute our Controlling Shareholders (as defined under the Listing Rules) before the Listing. As confirmed by HongShan and Ms. Wu, Ms. Wu does not have any shareholding or partnership interest in SCC Venture V-Mars(HK) Limited, HongShan Hanchen, HongShan Mingde and HongShan Zhisheng, which are the existing shareholders of the Company.

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, Dr. Dai (by himself) and through his close associates, being Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin will control approximately 38.84% of our total issued share capital and they will remain as our Controlling Shareholders upon Listing.

For details of Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, see the sections headed “Definitions” and “History, Development and Corporate Structure.”

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholders and their close associates after the Listing, taking into account the factors below.

Management Independence

We are able to carry on our business independently from the Controlling Shareholders from a management perspective. Our Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Controlling Shareholders and their close associates after the Listing.

Operational Independence

We do not rely on the Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently from the Controlling Shareholders and their close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on the Controlling Shareholders and their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

There is no outstanding financial guarantee/assistance provided by our Controlling Shareholders to our Group and vice versa as of the Latest Practicable Date, nor do we have any outstanding share pledges or guarantees provided by our Controlling Shareholders and their respective close associates on our borrowings.

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after the Listing.

INTERESTS OF THE CONTROLLING SHAREHOLDER IN OTHER BUSINESSES

Our Controlling Shareholders and/or our Directors may, from time to time, make minority investments or hold non-executive board positions in entities that operate in the broader industries in which our business segments also operate. As our Controlling Shareholders and/or Directors have no executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control their entities, our Controlling Shareholders will not inject any of the interested entities into our Group; and to the extent our Directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our Directors, as a group, and signifies their passion for the industries in which we operate.

Save and except for the interests of the Controlling Shareholders in our Company and its subsidiaries, the Controlling Shareholders and the Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) the Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (g) we have appointed Guotai Junan Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders, and to protect minority Shareholders’ interests after the Listing.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Shares held as at the Latest Practicable Date		Shares held immediately following the Global Offering		
		Number		Approximate percentage of shareholding in Unlisted/ H Shares (to be converted) ⁽¹⁾	Approximate percentage of shareholding in Unlisted/ H Shares ⁽¹⁰⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁰⁾
Dr. Dai ⁽³⁾	Beneficial owner	106,164,523 Unlisted Shares		32.13%	32.13%	22.88%
	Interest in controlled corporations	74,068,383 Unlisted Shares		22.42%	22.42%	15.96%
Ms. Wu ⁽²⁾	Interest of spouse	180,232,906 Unlisted Shares		54.55%	54.55%	38.84%
Beijing New Wisdom ⁽³⁾⁽⁴⁾	Interest in controlled corporations	74,068,383 Unlisted Shares		22.42%	22.42%	15.96%
Paradigm Investment ⁽³⁾	Beneficial owner	63,962,734 Unlisted Shares		19.36%	19.36%	13.78%
Paradigm Chuqi ⁽⁴⁾	Interest in controlled corporation	63,962,734 Unlisted Shares		19.36%	19.36%	13.78%
HongShan Venture ⁽⁵⁾	Beneficial owner	32,259,066 H Shares ⁽¹⁾		27.99%	24.14%	6.95%
SCCV Shareholders ⁽⁵⁾	Interest in controlled corporations	32,259,066 H Shares ⁽¹⁾		27.99%	24.14%	6.95%
Guoxin Qidi	Beneficial owner	12,117,394 H Shares ⁽¹⁾		10.51%	9.07%	2.61%
Guoxin Qidi Shareholders ⁽⁶⁾	Interest in controlled corporations	12,117,394 H Shares ⁽¹⁾		10.51%	9.07%	2.61%
Purui Tianjin	Beneficial owner	11,301,027 H Shares ⁽¹⁾		9.81%	8.46%	2.44%
Purui Tianjin Shareholders ⁽⁷⁾	Interest in controlled corporations	11,301,027 H Shares ⁽¹⁾		9.81%	8.46%	2.44%
Beijing Innovation	Beneficial owner	7,115,539 H Shares ⁽¹⁾		6.17%	5.32%	1.53%
Beijing Innovation Shareholders ⁽⁸⁾	Interest in controlled corporations	7,115,539 H Shares ⁽¹⁾		6.17%	5.32%	1.53%
Zhongyi Equity Fund	Beneficial owner	7,020,480 H Shares ⁽¹⁾		6.09%	5.25%	1.51%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Shares held as at the Latest Practicable Date		Shares held immediately following the Global Offering	
		Number	Approximate percentage of shareholding in Unlisted/ H Shares (to be converted) ⁽¹⁾	Approximate percentage of shareholding in Unlisted/ H Shares ⁽¹⁰⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁰⁾
Zhongyi Equity Fund Shareholders ⁽⁹⁾	Interest in controlled corporations	7,020,480 H Shares ⁽¹⁾	6.09%	5.25%	1.51%

Notes:

- (1) The calculation is based on the total number of Shares in issue as at the Latest Practicable Date, including 330,418,283 Unlisted Shares and 115,246,250 Unlisted Shares which will be converted into H Shares upon completion of the Global Offering.
- (2) Ms. Wu is the spouse of Dr. Dai. By virtue of SFO, Ms. Wu is therefore deemed to be interested in the Shares held by Dr. Dai.
- (3) Paradigm Investment and Paradigm Yinyuan are indirectly controlled by Dr. Dai and Ms. Wu, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan. Beijing New Wisdom is a limited liability company established in the PRC and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively. Paradigm Investment and Paradigm Yinyuan holds 63,962,734 Unlisted Shares and 10,105,649 Unlisted Shares, respectively. By virtue of SFO, each of Dr. Dai and Beijing New Wisdom (through his/its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the Shares held by each of Paradigm Investment and Paradigm Yinyuan.
- (4) Paradigm Chuqi (whose general partner is Beijing New Wisdom) is interested in more than one third of the limited partnership interest in Paradigm Investment. By virtue of SFO, Paradigm Chuqi is deemed to be interested in the Shares held by Paradigm Investment.
- (5) To the best knowledge of the Company, HongShan Venture is wholly owned by Sequoia Capital China Venture Fund V, L.P.. SC China Venture V Management, L.P. is the general partner of Sequoia Capital China Venture Fund V, L.P., and in turn SC China Holding Limited is the general partner of SC China Venture V Management, L.P.. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, which is in turn wholly owned by Mr. Neil Nanpeng Shen, our former Director. By virtue of SFO, each of Sequoia Capital China Venture Fund V, L.P., SC China Venture V Management, L.P., SC China Holding Limited, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen (through its/his interest in a controlled corporation or controlled corporations, as the case may be) (together the “**SCCV Shareholders**”) are deemed to be interested in the Shares held by HongShan Venture.
- (6) To the best knowledge of the Company, Henan Guoxin Qidi Fund Management Co., Ltd., a limited liability company established in the PRC, is the general partner of Guoxin Qidi. Henan Guoxin Qidi Fund Management Co., Ltd. is owned as to 35% by Guoxin Risk Investment Management (Shenzhen) Co., Ltd., which is in turn wholly owned by Guoxin Science and Technology Innovation Fund Management Co., Ltd. Guoxin Science and Technology Innovation Fund Management Co., Ltd. is owned as to 40% by China Guoxin Fund Management Co., Ltd., which is in turn wholly owned by China Guoxin Holding Co., Ltd. By virtue of SFO, China Guoxin Holding Co., Ltd., China Guoxin Fund Management Co., Ltd., Guoxin Science and Technology Innovation Fund Management Co., Ltd., Guoxin Risk Investment Management (Shenzhen) Co., Ltd. and Henan Guoxin Qidi Fund Management Co., Ltd. (together “**Guoxin Qidi Shareholders**”) are deemed to be interested in the Shares held by Guoxin Qidi.

SUBSTANTIAL SHAREHOLDERS

- (7) To the best knowledge of the Company, the general partner of Purui Tianjin is Purui Management, which is ultimately controlled by individuals, who are Independent Third Parties. Purui Tianjin has one limited partner, Purui Investment, the general partner of which is also Purui Management. Purui Investment has one limited partner, Parade II Technology Investment Company Limited, holding approximately 99.8% of partnership interest in Purui Investment. Parade II Technology Investment Company Limited is ultimately controlled by Mr. Fang Fenglei. By virtue of SFO, Purui Management, the individual ultimate controllers of Purui Management, Purui Investment, Parade II Technology Investment Company Limited, Mr. Fang Fenglei (together “**Purui Tianjin Shareholders**”) are deemed to be interested in the Shares held by Purui Tianjin.
- (8) To the best knowledge of the Company, Beijing Hulian Sinovation Ventures Investment Management Limited (北京互聯創新工場投資管理有限公司), a limited liability company established in the PRC, is the general partner and sole executive partner of Beijing Innovation, and is ultimately controlled by Li Puyu (李璞玉). Beijing Innovation has 33 limited partners and its largest limited partner is Innovation Works (Xiamen) VC Partnership (Limited Partnership) (創新工場(廈門)創業投資合夥企業(有限合夥)) (“**Innovation Works Xiamen**”), holding approximately 35.1% of partnership interest in Beijing Innovation. The executive partner of Innovation Works Xiamen is Sinovation Ventures (Xiamen) Investment Management Limited (創新工場(廈門)投資管理有限公司), which is wholly-owned by Beijing Hulian Sinovation Ventures Investment Management Limited, a limited liability Company controlled by Li Puyu. By virtue of SFO, Beijing Hulian Sinovation Ventures Investment Management Limited, Li Puyu, Innovation Works Xiamen, and Sinovation Ventures (Xiamen) Investment Management Limited (together the “**Beijing Innovation Shareholders**”) are deemed to be interested in the Shares held by Beijing Innovation.
- (9) To the best knowledge of the Company, China Mobile Equity Fund Management Co., Ltd. (中移股權基金管理有限公司), a limited liability company established in the PRC, is the sole executive partner of Zhongyi Equity Fund, which is in turn held as to 55% by China Mobile Capital Holding Co., Ltd. (中移資本控股有限責任公司) (“**China Mobile Capital**”). China Mobile Capital is wholly owned by China Mobile Communications Group Co., Ltd. (中國移動通信集團公司). Zhongyi Equity Fund has five limited partners and its largest limited partner is also China Mobile Capital, holding approximately 43.6% of partnership interest in Zhongyi Equity Fund. By virtue of SFO, China Mobile Equity Fund Management Co., Ltd., China Mobile Capital, and China Mobile Communications Group Co., Ltd. (together the “**Zhongyi Equity Fund Shareholders**”) are deemed to be interested in the Shares held by Zhongyi Equity Fund.
- (10) The calculation is based on the total number of 330,418,283 Unlisted Shares and 133,642,250 H Shares in issue immediately after completion of the Global Offering since 115,246,250 Unlisted Shares will be converted into H Shares and 18,396,000 H Shares will be issued pursuant to the Global Offering, and assuming that the Over-allotment Option is not exercised.

For details of the substantial shareholders who will be, directly or indirectly, interested in 10% or more of the value of any Domestic Shares or H Shares varying rights to vote in all circumstances at general meetings of any member of our Group, see “Statutory and General Information – Further Information about our Directors, Supervisors, Senior Management and Substantial Shareholders – 1. Disclosure of Interests” in Appendix VI to this Prospectus.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests and/or short positions in Shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities (including qualified domestic institutional investor as approved by the relevant PRC authorities (“**QDII**”) to subscribe, at the Offer Price for a certain number of Offer Shares that may be purchased for an aggregate amount of US\$96.8 million (approximately HK\$758.4 million) (the “**Cornerstone Placing**”). The calculations in this section, which are based on the exchange rate as disclosed in the section headed “Information about this Prospectus and the Global Offering”, are for illustration purpose. The final number of H Shares to be subscribed by the Cornerstone Investors are subject to the exchange rate to be determined in accordance with the relevant Cornerstone Investment Agreements and will be set out in the allotment results announcement in respect of the Global Offering to be issued by the Company.

Assuming an Offer Price of HK\$55.60, being the low-end of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 13,639,600 Offer Shares, representing approximately (i) 74.14% of the H Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised), (ii) 2.94% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 2.92% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$58.38, being the mid-point of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 12,990,100 Offer Shares, representing approximately (i) 70.61% of the H Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised), (ii) 2.80% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 2.78% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$61.16, being the high-end of the Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 12,399,500 Offer Shares, representing approximately (i) 67.40% of the H Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised), (ii) 2.67% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 2.66% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

CORNERSTONE INVESTORS

Our Company is of the view that the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the business network of our Group or executive Directors, or through introduction by certain Underwriters in the Global Offering.

To the best knowledge of our Company, each of the Cornerstone Investors (and for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, such QDII) (i) is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors (and for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, such QDII) is accustomed to taking instructions from our Company, the Directors, the Supervisors, chief executive, our Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors (and for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, such QDII) is financed by our Company, the Directors, Supervisors, chief executive, our Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; (iv) each Cornerstone Investor will be utilizing their proprietary funding or the proprietary funding of the funds under their management, as appropriate, as their source of funding for the subscription of the Offer Shares; and (v) no approval from other stock exchange is required for each Cornerstone Investor's investment in our Company as described in this section. The subscription of the Offer Shares by all Cornerstone Investors under the Cornerstone Investment is not required to be submitted to the shareholders of Cornerstone Investors' listed holding company (as the case may be) for approval.

To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under the Cornerstone Investment Agreement.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of the Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing.

CORNERSTONE INVESTORS

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in this Prospectus. The number of Offer Shares to be acquired by each Cornerstone Investor may be reduced on a pro rata basis in accordance with the terms of the Cornerstone Investment Agreement to satisfy the short fall, after taking into account the requirements under Appendix 6 to the Listing Rules as well as the discretion of the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the International Underwriters) to exercise the Over-allotment Option.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Wednesday, September 27, 2023. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by all Cornerstone Investors under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares on or before 8:00 a.m. on the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. As such, there will be no deferred settlement of the investment amount for the Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements. For details of the Over-allotment Option, please refer to the paragraph headed “Structure of the Global Offering – Over-allotment Option” in this Prospectus.

OUR CORNERSTONE INVESTORS

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company’s total issued share capital under the Cornerstone Placing:

Based on the Offer Price of HK\$55.60 (being the low-end of the Offer Price range)

	Investment Amount (in million) ¹	Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)	Approximately % of total number of Offer Shares		Approximate % of H Shares in issue immediately following the completion of Global Offering		Approximately % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)	Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)	Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)
New China Capital Management	HK\$365	6,564,700	35.69	31.03	4.91	4.81	1.41	1.41
Beijing Zhongguancun	RMB290	5,665,400	30.80	26.78	4.24	4.15	1.22	1.21
Montage Holdings	US\$10	1,409,500	7.66	6.66	1.05	1.03	0.30	0.30
Total	US\$96.8	13,639,600	74.14	64.47	10.21	10.00	2.94	2.92

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$58.38 (being the mid-point of the Offer Price range)

	Investment Amount (in million) ¹	Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)	Approximately % of total number of Offer Shares		Approximate % of H Shares in issue immediately following the completion of Global Offering		Approximately % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)	Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)	Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)
New China Capital Management	HK\$365	6,252,100	33.99	29.55	4.68	4.58	1.35	1.34
Beijing Zhongguancun	RMB290	5,395,600	29.33	25.50	4.04	3.96	1.16	1.16
Montage Holdings	US\$10	1,342,400	7.30	6.35	1.00	0.98	0.29	0.29
Total	US\$96.8	12,990,100	70.61	61.40	9.72	9.52	2.80	2.78

Based on the Offer Price of HK\$61.16 (being the high-end of the Offer Price range)

	Investment Amount (in million) ¹	Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)	Approximately % of total number of Offer Shares		Approximate % of H Shares in issue immediately following the completion of Global Offering		Approximately % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)	Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)	Assuming the Over-allotment Option is not exercised (approximate)	Assuming the Over-allotment Option is fully exercised (approximate)
New China Capital Management	HK\$365	5,967,900	32.44	28.21	4.47	4.38	1.29	1.28
Beijing Zhongguancun	RMB290	5,150,300	28.00	24.35	3.85	3.78	1.11	1.10
Montage Holdings	US\$10.0	1,281,300	6.97	6.06	0.96	0.94	0.28	0.27
Total	US\$96.8	12,399,500	67.40	58.61	9.28	9.09	2.67	2.66

Note:

- The calculations are for illustration purposes based on the exchange rate as disclosed in this Prospectus, the number of H Shares to be subscribed by the Cornerstone Investors are subject to the exchange rate to be determined in accordance with the relevant Cornerstone Investment Agreements. The Cornerstone Investment Agreement with Beijing Zhongguancun provides that the HK\$:RMB exchange rate shall be agreed amongst the parties therein at a later date, and where no agreement is reached, at the rate stipulated in the Cornerstone Investment Agreement which may result in less Offer Shares to be allotted to Beijing Zhongguancun.

CORNERSTONE INVESTORS

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. New China Capital Management

New China Capital Management Limited (“**New China Capital Management**”), in its capacity as investment manager acting as agent on behalf of its discretionary accounts, has agreed to subscribe for the H Shares of our Company. New China Capital Management was incorporated in Hong Kong with limited liability. New China Capital Management is licensed with the Hong Kong Securities and Futures Commission to carry on business in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571). New China Capital Management focuses on investments in equity securities, fixed income securities, as well as in a wide range of underlying investment funds. New China Capital Management is wholly-owned by New China Capital International Management Limited, which is in turn controlled by New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司). New China Asset Management (Hong Kong) Limited is held as to 60% by New China Asset Management Company Limited (新華資產管理股份有限公司), and 40% by New China Life Insurance Company Ltd. (新華人壽保險股份有限公司), a Company dually listed on the Hong Kong Stock Exchange (stock code: 1336.HK) and the Shanghai Stock Exchange (stock code: 601336.SH). New China Asset Management Company Limited is held as to 99.4% by New China Life Insurance Company Ltd.

2. Beijing Zhongguancun

Beijing Zhongguancun Science City Science and Technology Growth Investment Partnership (Limited Partnership) (北京中關村科學城科技成長投資合夥企業(有限合夥)) (“**Beijing Zhongguancun**”) is a limited partnership established in the PRC on December 3, 2021 with assets under management in the amount of approximately RMB5 billion. Beijing Zhongguancun is held as to 1% by Beijing Zhongguancun Science City Science and Technology Investment Management Co., Ltd. (北京中關村科學城科技投資管理有限公司) (general partner of Beijing Zhongguancun) (“**Science City Science and Technology Investment Management**”) and 99% by Beijing Haidian State-owned Assets Investment Group Co., Ltd. (北京市海淀區國有資產投資集團有限公司), a wholly-owned subsidiary of Beijing Haidian State-owned Capital Operation Co., Ltd. (北京市海淀區國有資本運營有限公司). Science City Science and Technology Investment Management is held as to 100% by Beijing Zhongguancun Science City Innovation and Development Co. Ltd. (北京中關村科學城創新發展有限公司), a wholly-owned subsidiary of Beijing Haidian State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心). Each of Beijing Haidian State-owned Capital Operation Co., Ltd. and Beijing Haidian State-owned Capital Operation and Management Center is a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission of the People’s Government of Haidian District, Beijing (北京市海淀區人民政府國有資產監督管理委員會).

CORNERSTONE INVESTORS

Beijing Zhongguancun focuses on the investments in the enterprises engaging in 5G, internet-of-things, artificial intelligence and big data, integrated circuit design, quantum communication, innovative drugs and high-end medical devices, and disruptive new materials advanced manufacturing.

For the purpose of the cornerstone investment, Beijing Zhongguancun participates in the International Offering through an investment scheme, of which Shanghai Haitong Securities Asset Management Company Limited (上海海通證券資產管理有限公司) (“**Haitong Asset Management**”) is the manager. Beijing Zhongguancun has engaged Haitong Asset Management, an asset manager that is a QDII as approved by the relevant PRC authority, to subscribe for and hold such Offer Shares on a discretionary basis on its behalf.

3. Montage Holdings

Montage Technology Holdings Company Limited (“**Montage Holdings**”) is a company incorporated in the Cayman Islands with limited liability. It is a wholly-owned subsidiary of Montage Technology Co., Ltd. (瀾起科技股份有限公司) (“**Montage Technology**”). Established in 2004, Montage Technology is a sizeable group in the semiconductor industry, providing integrated-circuit solutions for cloud computing and data center markets. Montage Technology has been listed on the Shanghai Stock Exchange (stock code: 688008.SH) since July 2019. In 2022, based on the consolidated financial statements of Montage Technology, it has an asset value of RMB10.7 billion, revenue of RMB3.7 billion, and profit of RMB1.3 billion.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (ii) the Offer Price having been agreed according to the Underwriting Agreements and price determination agreement to be signed among the parties thereto in connection with the Global Offering;
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the Investor Shares as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

CORNERSTONE INVESTORS

- (iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

- (v) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are (as of the date of the respective Cornerstone Investment Agreement) and will be (as of the Listing Date) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB445,664,533, comprising 445,664,533 Unlisted Shares of nominal value RMB1.00 each:

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Unlisted Shares in issue	330,418,283	71.20
H Shares converted from Unlisted Shares	115,246,250	24.83
H Shares to be issued under the Global Offering	<u>18,396,000</u>	<u>3.96</u>
Total	<u><u>464,060,533</u></u>	<u><u>100.00</u></u>

Immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Unlisted Shares in issue	330,418,283	70.78
H Shares converted from Unlisted Shares	115,246,250	24.69
H Shares to be issued under the Global Offering	<u>21,155,400</u>	<u>4.53</u>
Total	<u><u>466,819,933</u></u>	<u><u>100.00</u></u>

SHARE CAPITAL

RANKING

Upon completion of the Global Offering, we would have only one class of Shares. H Shares and Unlisted Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai – Hong Kong Stock Connect or the Shenzhen – Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

Unlisted Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Upon completion of the Global Offering, all our Unlisted Shares (other than those converting to H Shares) are not listed or traded on any stock exchange. The holders of our Unlisted Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and complete the filing process procedure with CSRC. The listing of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

In accordance with the Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境内未上市股份申请“全流通”业务指引》) (“**Full Circulation Guidelines**”) published and implemented by the CSRC on November 14, 2019 and the Overseas Listing Trial Measures, domestic unlisted shares of H-share companies (including domestic unlisted shares held by domestic shareholders prior to the overseas listing, domestic unlisted shares further issued in the PRC after the overseas listing and unlisted shares held by foreign shareholders) could be listed and traded on the Hong Kong Stock Exchange after application to file with the CSRC. The Full Circulation Guidelines are applicable to domestic companies listed on the Hong Kong Stock Exchange only and not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange.

The Company filed for application for a “full circulation” of the unlisted shares on June 14, 2023 and submitted the application reports, authorization documents of the shareholders of unlisted shares for which an H-share “full circulation” are applied, explanation about the compliance of share acquisition and others documents in accordance with the requirements of the CSRC.

SHARE CAPITAL

Upon completion of the Global Offering, 115,246,250 Unlisted Shares held by HongShan Venture, Guoxin Qidi, Purui Tianjin, Beijing Innovation, Zhongyi Equity Fund, Sinovation Fund III, Ruihui Haina, NIFA No. 1, Value Global, Shanghai Saixin Business Consulting Management Center (Limited Partnership), Guangxi Tencent Venture Capital Co., Ltd., Hangzhou Fantong, Hubei Boheng, Guangzhou Yuexiu Emerging Industry Phase II Investment Fund Partnership (Limited Partnership), GS Asia II, Zhuhai Zhongyu Investment Enterprise (Limited Partnership), Guangkong Zhongying, Fangyuan Chuangying, Haitong International Investment, Jiaying Chenyue, Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Investment Fund Partnership (Limited Partnership), Cisco China, Stonebridge 2020, Growing Fame, Guangzhou Yuexiu Nuocheng No. 8 Industrial Investment Partnership (Limited Partnership), CITIC Construction Investment, Ningbo Huiyuan, Dongkong Jinlong, and LF Beta, will be converted into H Shares on a one-for-one basis. The conversion of these Unlisted Shares into H Shares have been approved by CSRC on July 3, 2023 and an application has been made to the Listing Committee for such H Shares to be listed on the Stock Exchange.

Based on the procedures for the conversion of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Hong Kong Stock Exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

Please refer to “Risk Factors – Risks Related to the Global Offering – Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.”

SHARE CAPITAL

So far as we are aware, upon completion of the Global Offering, other than the Shareholders who will convert their Unlisted Shares into H Shares as mentioned above, none of our Shareholders currently proposes to convert any of their Unlisted Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Pursuant to the PRC Company Law, our Shares issued prior to the Listing shall not be transferred within one year from the Listing Date.

For details of the lock-up undertaking given by the Controlling Shareholder pursuant to Rule 10.07 of the Listing Rules see “Underwriting – Underwriting Arrangements and Expenses – Undertakings pursuant to the Listing Rules and the Hong Kong Underwriting Agreement – Undertakings by our Controlling Shareholders.”

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

SHAREHOLDERS’ GENERAL MEETING

For details of circumstances under which our general Shareholders’ meeting is required, see “Appendix IV– Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of Articles of Association”.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountant’s Report in Appendix I to this Prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Prospectus, including the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leader in enterprise AI. We offer platform-centric AI solutions that can be rapidly deployed by enterprises on a large scale to uncover hidden patterns in data and comprehensively enhance their decision-making capabilities.

We were the largest player by revenue in the platform-centric decision-making AI market, which is a sub-segment of the overall AI market, in China in 2022, according to the CIC Report. We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. For example, according to CIC, our proprietary AutoML algorithm is a cutting-edge AutoML algorithm in the world. With our AutoML algorithms, we broke the world records of two Open Graph Benchmark (“OGB”) tasks in April 2021. OGB is a globally recognized collection of benchmark datasets for machine learning on graphs that AI companies and research institutions utilize to test and evaluate their AI model performance. Participants of the OGB tasks include world-famous innovative enterprises and research institutes, such as Facebook, Alibaba, Stanford University and Cornell University. Our AutoML algorithm also ranks top 1% in Kaggle Structured Data and Image Classification Competition 2019. See “Business – Awards and Recognition.” In addition, our founders are pioneers in transfer learning, according to CIC.

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We emphasize value creation. Our solutions have covered a myriad of industries including, but not limited to, finance, retail, manufacturing, energy and power, telecommunications, transportation, technology, education, media and healthcare. For example, our AI solutions have successfully helped banks enhance anti-fraud accuracy rate, retailers forecast sales volume and formulate precision marketing strategies, manufacturers optimize quality control, and energy companies detect and prevent equipment anomalies and failures. In 2021, 2022 and the three months ended March 31, 2022 and 2023, we had 75, 104, 49 and 62 lighthouse users, respectively. In 2020, 2021 and 2022, the net dollar expansion rates of our lighthouse users were 167%, 140% and 126%, respectively.

Our platform-centric AI solutions seek to overcome challenges faced by in-house development of AI capabilities and point solutions that are designed for scenario-specific use cases, and allow enterprises to benefit from the advancement of AI technologies to the largest extent possible. Leveraging our core technologies, we have developed end-to-end enterprise AI solutions that cater for enterprises' needs across application, platform and infrastructure levels. Sage Platform is the backbone of our solutions. It allows enterprises to easily build their customized AI systems that automate the process of machine learning, application, decision-making and evaluation driven by our AutoML algorithms, featuring quick, simple build-up, low- and/or no-code environment and implementation without significant involvement of AI experts. Our Sage Platform is primarily composed of the following:

- Sage AIOS is an AI operating system featuring a user-friendly interface, standardized data processing, automated resource management and allocation and fully compatible middleware that are comparable to personal computer operating systems.
- HyperCycle series with no-code development tools and Sage Studio series with low-code and no-code development tools are our core platform-centric AI solutions by which our users can quickly and easily deploy large-scale AI applications.

In addition, we offer ready-to-use AI applications that users could directly deploy to improve their business operations, primarily in the fields of sales and marketing, risk management and operating efficiency in general. We also help users develop customized AI applications on Sage Platform to address their specific business needs.

During the Track Record Period, we have experienced tremendous growth. Our revenue grew by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, and further by 52.7% to RMB3,082.6 million in 2022 and by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023.

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BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4 to the Accountant’s Report included in Appendix I to this Prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

General Factors

Our results of operations are affected by a number of general factors affecting the overall growth and prosperity of the AI industry in China, in particular the decision-making AI market, including:

- China’s overall economic growth;
- the ongoing digitalization of China’s economy;
- technology development of the AI industry, including, but not limited to, the innovations in analytical instruments, the development of computing infrastructure and the accumulation of high quality data;
- accumulation of AI experts in China; and
- awareness of enterprises to deploy AI applications.

Specific Factors Affecting Our Results of Operations

We believe that our results of operations are primarily and more directly affected by the following specific factors:

Our investment in technology innovation and AI solutions

We have made, and will continue to make, significant investments in technology development and AI solutions to strengthen our market leadership. We have been leading in the research of advanced AI technologies and the utilization of these technologies in commercial solutions. Our ability to attract qualified and experienced talents are crucial to our R&D efforts. We intend to continue to invest in attracting more talented research and development personnel by offering competitive compensation, in further developing and applying advanced AI and other technologies to enhance the functionality and user experience of our AI solutions, and in strategic investments in and acquisitions of businesses that enhance our technology capabilities and solution offerings. In 2020, 2021, 2022 and three months ended March 31,

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2022 and 2023, we incurred research and development expenses of RMB565.7 million, RMB1,249.5 million, RMB1,650.0 million, RMB225.7 million and RMB 241.5 million, respectively, accounting for 60.0%, 61.9%, 53.5%, 46.8% and 37.5% of the revenues for the respective periods. Going forward, we will continue to prudently invest resources in research and development on our platform and infrastructure. Given our systematic development approach and our continuous incorporation of functional improvements, we expect the investment to build our platform and infrastructure in a scalable manner will support the long-term growth of our business.

Our ability to attract and retain our users

Our operating results and growth depend on our ability to attract new users. Guided by our go-to-market strategy, we have served a large number of lighthouse users who are market leaders in the respective domain they operate in and established market presence in an effective manner. As a result of our effective strategies, we had 47, 75, 104, 49 and 62 lighthouse users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

After the initial success with lighthouse users, we leverage our understanding, our reputation established through collaborating with industry leaders and our AI ecosystem to further enhance our influence in the industry, enabling us to further penetrate the respective industry and provide solutions to other players in the industry efficiently.

As a result, we have accumulated a strong and rapidly growing user base. In 2020, 2021 and 2022 and in the three months ended March 31, 2022 and 2023, our number of users was 156, 245, 409, 125 and 147, respectively. We have fostered strong loyalty with our user base by establishing deep collaboration and effectively addressing their needs. We expect to achieve continued growth in the foreseeable future as we continue to attract more users.

Our ability to create value for users with our innovative enterprise AI solutions

We are committed to delivering high quality enterprise AI solutions to create value for our users. Leveraging our advanced technologies, we have developed Sage Platform, a full suite of end-to-end AI solutions that can be rapidly deployed by enterprises on a large scale primarily through on-premise deployment and SageOne, our software-defined “All-in-One” solutions with pre-built Sage Platform and applications on servers and other related hardware. Our future growth will depend on our ability to innovate and create value for our new and existing users with our enterprise AI solutions.

Our existing user base represents a significant opportunity for sales expansion. After we help our users identify the critical issues, provide solutions and achieve the objectives of business improvement, they usually identify incremental opportunities within their operations and expand their use of our solutions. Our ability to create value for users is evidenced by a net dollar expansion rate of 167%, 140% and 126% for our lighthouse users in 2020, 2021 and 2022, respectively. Our average revenue per lighthouse user increased by 11.4% from RMB12.3 million in 2020 to RMB13.7 million in 2021, and further by 30.7% to RMB17.9 million in 2022. For the three months ended March 31, 2022 and 2023, our average revenue per lighthouse user stayed stable at RMB5.4 million.

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Our ability to manage our costs and enhance operating leverage

Our ability to manage and control our costs and operating expenses is critical to the success of our business and our profitability. Our gross profit margin remained stable during the Track Record Period. However, our cost structure is affected by the mix of our solution offerings and might further impact our gross profit margin. For example, with the launch of SageOne, we incurred an increased cost of finished goods sold as a percentage of revenue during the Track Record Period. In addition, we have invested heavily in developing technology capabilities and infrastructure, in order to provide highly scalable and flexible solutions for our users. The solutions we offer are highly modularized, which allows us to address users' customized demands effectively and efficiently, helping us achieve significant overall cost and operating efficiency. We also incurred an increasing amount of sales and marketing expenses to strategically expand our user base and enter into new verticals, primarily by penetrating lighthouse users. Upon successful penetration of lighthouse users, we expect to obtain further opportunities within the respective industries without incurring significant expenses, thereby enhancing our efficiency in sales and marketing. As a result of our established user base and brand awareness, the efficiency of our sales and marketing personnel has also been increasing.

We are thus well positioned to scale up our revenues while achieving significant cost efficiency and operating leverage. For instance, in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, our selling and marketing expenses (excluding share-based compensation) as a percentage of our revenues was 24.1%, 17.7%, 13.1%, 16.7% and 12.9%, respectively, and our general and administrative expenses (excluding share-based compensation) as a percentage of our revenues was 12.7%, 8.6%, 8.1%, 17.2% and 15.7%, respectively. Controlling operating expenses to achieve optimal operating efficiency is important to our success. As our business grows in scale, we expect to have significant operating leverage and realize structural cost savings to compete efficiently.

KEY OPERATING METRICS

The following table sets forth the key operating metrics for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
Number of users	156	245	409	125	147
Number of lighthouse users	47	75	104	49	62
Average revenue per lighthouse user (RMB million)	12.3	13.7	17.9	5.4	5.4
Net dollar expansion rates for lighthouse users	167%	140%	126%	N/A	N/A

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As a result of our effective go-to-market strategy, we had 47, 75, 104, 49 and 62 lighthouse users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. Our initial success with lighthouse users enable us to further penetrate the respective industry and provide solutions to other players in the industry efficiently. As a result, we have accumulated a strong and rapidly growing total user base including both lighthouse users and other users, with 156, 245, 409, 125 and 147 users in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

We are dedicated to creating value to our users. After we help them identify the critical issues, provide solutions and achieve the objectives of business improvement, they usually identify incremental opportunities within their operations and expand their use of our solutions. Our ability to create value for users is evidenced by a net dollar expansion rate of 167%, 140% and 126% for our lighthouse users in 2020, 2021 and 2022, respectively. Moreover, the average revenue per lighthouse user amounted to RMB12.3 million, RMB13.7 million, RMB17.9 million, RMB5.4 million and RMB5.4 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

Driven by our expanding user base and increasing spending from existing users, we have experienced tremendous revenue growth during the Track Record Period. Our revenue grew by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021 and further by 52.7% to RMB3,082.6 million in 2022 and by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023.

IMPACT OF COVID-19

The COVID-19 pandemic and its recurrence have temporarily prevented us from engaging with end users and solution partners through in-person meetings and providing them with deployment and technical support services, especially with the lighthouse users, who are large, established and leading enterprises in various industries and thus tend to implement more stringent COVID-19-related measures than other businesses. The pandemic has caused temporary disruption to our solutions to the extent that necessary on-site meetings, deployment and technical support had to be delayed or cancelled, which had a negative impact on our results of operations during the Track Record Period. As of the Latest Practicable Date, we were not aware of any material adverse impacts on our business operations.

Despite temporary disruption caused by COVID-19, we have been able to sustain our strong growth momentum, delivering robust revenue growth in 2021. As the pandemic persists, global demand for automation and AI solutions has continued to accelerate as businesses are increasingly aware of the benefits of going digital. Our revenue increased by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, as a result of the increasing demand for our AI solutions and our continuous value creation for end users. Our revenue increased by 52.7% from RMB2,018.4 million in 2021 to RMB3,082.6 million in 2022. Our revenue grew by 33.6% from RMB482.3 million for the three months ended March 31, 2022 to RMB644.4 million for the three months ended March 31, 2023. While the pandemic may have been a stimulus for acceleration of automation and AI transformation, we expect the trend of AI transformation to continue post pandemic in the long run. Business decision makers are increasingly aware of the value of high quality AI solutions not only in dealing with pressing

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workforce issues during the pandemic, but also in empowering organizations and optimizing daily operations. Therefore, the willingness of the whole society and respective vertical industries to improve efficiency through automation and AI solutions are likely to keep strong.

See “Risk Factors – Risks Related to Our Business and Industry – The COVID-19 pandemic presents challenges to our business and the effects of the pandemic could adversely affect our business, financial condition and results of operations.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future. Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Note 2 and Note 4 to the Accountant’s Report included in Appendix I to this Prospectus.

Revenue Recognition

Our revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services supplied, stated net of discounts, returns and value-added taxes. We recognize revenue when the specific criteria have been met for each of our activities, as described below. There has been no significant change in the nature of products/services in relation to each of our revenue streams and the same revenue recognition policy had been applied throughout the Track Record Period.

(a) Sage Platform and applications

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

For the licensed software provided by us, as the customer can direct the use of and obtain substantially all of the remaining benefits from the licensed software after it is transferred, revenue is recognized at a point in time when the licensed software is delivered to the customer’s designated place, inspected and accepted by the customer.

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For all-in-one solutions with pre-installed software on server or other related hardware, as we provide significant customized service of interrelating and integrating the software and server or other related hardware to maximize their synergistic, the contracts generally have a single performance obligation, and revenue is recognized at a point in time when the software pre-installed server or other related hardware is delivered to the customer's designated place, inspected and accepted by the customer.

To a lesser extent, we also offer cloud-based subscriptions, where Sage Platform and other ready-to-use applications are delivered to end users for usage with a subscription period, and the revenue is recognized over the subscription period. Such revenue recognized over the subscription period was RMB16.6 million, RMB21.5 million, RMB26.5 million, RMB8.6 million and RMB8.0 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, representing 1.8%, 1.1%, 0.9%, 1.8% and 1.2% of our total revenue for the same periods, respectively. As compared to software license at users servers and SageOne "All-in-One" solutions with pre-built Sage Platform and applications on servers and other related hardware, the cloud-based subscription model requires less investment in infrastructure by the end user. This subscription model merely accounted for a negligible portion of our revenue during the Track Record Period. Going forward, we expect to continue to adopt this model, offering flexible choices to our users with demand for cloud-based Sage Platform and applications.

(b) Application development and other services

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

Application development services primarily take months to complete, the customer cannot benefit from or control the service during the service process and we generally do not have an enforceable right to payment for performance completed to date at all times throughout the duration of the contract, accordingly, revenue is recognized at a point in time when the integrated promised products and services are finally inspected and accepted by the customer.

We act as an agent in AI-empowered precision marketing services considering the fact that we are only responsible for matching resources by using our AI technology, not subject to inventory risk and has no discretion in establishing prices. Therefore, revenue from AI-empowered precision marketing services is measured on a net basis. Such revenue is determined based on actual performance of the marketing. Specifically, such revenue is typically determined (i) on a per-click basis when the relevant marketing content is clicked, (ii) on a per-impression basis when the relevant marketing content is displayed, or (iii) on a per-download basis when the relevant marketing content is downloaded. Accordingly, such revenue is accounted for as variable consideration, which is recognized at a point in time when the performance is highly probable to be reached, indicated by the actual clicks, displays or downloads achieved, as applicable. Our revenue attributable to AI-empowered precision marketing services was RMB30.0 million, RMB31.6 million, RMB3.0 million, RMB1.1 million and RMB0.7 million in 2020, 2021, 2022 and in the three months ended March 31,

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2022 and 2023, representing 3.2%, 1.6%, 0.1%, 0.2% and 0.1% of our total revenue for the same periods, respectively. Customers of our AI-empowered precision marketing services are typically advertisement agencies in China.

Contract Balance

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

Intangible assets

(a) Goodwill

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

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

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

We recorded RMB335.8 million of goodwill in total as of March 31, 2023. The goodwill balance mainly arose from the acquisitions of Guangzhou Jianxin on March 31, 2021, Ideal Technology on June 30, 2021 and EpicHust on June 30, 2022, amounting to RMB94.1 million, RMB165.6 million and RMB76.1 million, respectively. We carry out our annual impairment test on goodwill by comparing the recoverable amounts of CGU or group of CGUs to the carrying amounts. Goodwill arising from the acquisition of Guangzhou Jianxin, Ideal Technology and EpicHust was monitored separately and assessed as separate CGUs for the purpose of impairment testing.

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CGU of Guangzhou Jianxin

The impairment reviews of the goodwill arising from the acquisition of Guangzhou Jianxin in March 2021 have been conducted by our management as of December 31, 2021 and 2022 and March 31, 2023. For the purposes of the impairment review, the recoverable amount of the CGU of Guangzhou Jianxin is determined based on value in use (“VIU”) calculations by using the discounted cash flow method. For goodwill related to acquisition of Guangzhou Jianxin, management forecasted that the compound annual growth rate in the five-year period from the balance sheet date of December 31, 2021 and 2022 and March 31, 2023 was 16.2%, 11.4% and 8.3%, respectively, and the cash flows beyond the five-year period were extrapolated using the estimated annual growth rates (“terminal growth rate”) of 3.0%. Pre-tax discount rate of 20.9%, 20.8% and 20.6% was used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment review as at December 31, 2021 and 2022 and March 31, 2023, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of Guangzhou Jianxin exceeded its carrying amount by approximately RMB34,180,000, RMB89,429,000 and RMB126,465,000 as of December 31, 2021 and 2022 and March 31, 2023, respectively, and management therefore concluded such goodwill was not impaired. The Directors of the Company have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the CGU of Guangzhou Jianxin exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2021, had there been a reduction of the revenue compound annual growth rate of the first five years by 4.3 percentage point, a reduction of terminal growth rate by 3.9 percentage point, or an increase in pre-tax discount rate by 1.5 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Guangzhou Jianxin would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 11.3 percentage point, a reduction of terminal growth rate by 15.6 percentage point, or an increase in pre-tax discount rate by 4.3 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Guangzhou Jianxin would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at March 31, 2023, had the revenue compound annual growth rate of the first five years been 5% lower, the terminal growth rate been 1% lower or the pre-tax discount rate been 1% higher each in isolation, the remaining headroom would be decreased to RMB8,149,000, RMB116,119,000 and RMB100,516,000, respectively.

CGU of Ideal Technology

The impairment reviews of the goodwill arising from the acquisition of Ideal Technology in June 2021 have been conducted by our management as of December 31, 2021 and 2022 and March 31, 2023. For the purposes of the impairment review, the recoverable amount of the CGU of Ideal Technology is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of Ideal Technology, management forecasted that the compound annual growth rate in the five-year period from the balance sheet date of December 31, 2021 and 2022 and March 31, 2023 was 26.0%, 23.4% and 23.9%, respectively, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 3.0%. Pre-tax discount rate of 17.6%, 17.6% and 17.6% was used to reflect market assessment

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of time value and the specific risks relating to the CGU for the impairment reviews as at December 31, 2021 and 2022 and March 31, 2023, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of Ideal Technology exceeded its carrying amount by approximately RMB34,793,000, RMB39,243,000 and RMB43,959,000 as of December 31, 2021 and 2022 and March 31, 2023, respectively, and management therefore concluded such goodwill was not impaired. The Directors of the Company have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the CGU of Ideal Technology exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2021, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.6 percentage point, a reduction of terminal growth rate by 1.4 percentage point, or an increase in pre-tax discount rate by 1.1 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.9 percentage point, a reduction of terminal growth rate by 1.6 percentage point, or an increase in pre-tax discount rate by 1.3 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at March 31, 2023, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.8 percentage point, a reduction of terminal growth rate by 2.5 percentage point, or an increase in pre-tax discount rate by 1.6 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point.

CGU of EpicHust

The impairment review of the goodwill arising from the acquisition of EpicHust in June 2022 has been conducted by the management as at December 31, 2022 and March 31, 2023. For the purposes of the impairment review, the recoverable amount of the CGU of EpicHust is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of EpicHust, management forecasted that the revenue compound annual growth rate in the five-year period from the balance sheet date of December 31, 2022 and March 31, 2023 was 13.3% and 12.1%, respectively, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 3.0%. Pre-tax discount rate of 20.4% and 21.5% was used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment reviews as at December 31, 2022 and March 31, 2023, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of EpicHust exceeded its carrying amount by approximately RMB3,980,000 and RMB7,670,000 as at December 31, 2022 and March 31, 2023, respectively, and management therefore concluded such goodwill was not impaired. As the Group just acquired EpicHust in June 2022 and the acquisition consideration was determined on an arm's length basis, the directors of the Company considered that it is remote for any reasonably possible changes in key parameters that would exceed the percentage points as disclosed in the sensitivity analysis below and therefore concluded that any reasonably possible changes in those key parameters would not cause the carrying amount of the CGU of EpicHust exceed its recoverable amount.

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For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 0.7 percentage point, a reduction of terminal growth rate by 0.6 percentage point, or an increase in pre-tax discount rate by 0.4 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of EpicHust would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at March 31, 2023, had there been a reduction of the revenue compound annual growth rate of the first five years by 1.7 percentage point, a reduction of terminal growth rate by 1.6 percentage point, or an increase in pre-tax discount rate by 0.9 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of EpicHust would be closed to the breakeven point.

(b) Other intangible assets

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

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

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

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

(c) Research and development expenditures

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

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;

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- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

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

Investments and other financial assets

(a) Classification

We classify our financial assets in the following measurement categories:

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

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

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

We reclassify debt investments when and only when our business model for managing those assets changes.

(b) Measurement

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

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

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Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify our debt instruments:

- *Amortized cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- *Fair value through other comprehensive income (“FVOCI”)*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as a separate line item in the consolidated statement of comprehensive income.
- *Fair value through profit or loss*: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of comprehensive income within other gains, net in the period in which it arises.

Equity instruments

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

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

(c) Impairment

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

For trade receivables, we apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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

(d) Derecognition

Financial assets

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

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

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

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If we neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, we will continue to recognize the asset to the extent of its continuing involvement and recognize an associated liability.

Other financial liabilities

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

Redemption liabilities

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

We derecognize the redemption liabilities when, and only when, our obligations are discharged, cancelled or have expired. When the preferred rights are waived by investors, the carrying amount of the redemption liability is reclassified to equity.

Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

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- including the impact of any non-vesting conditions.

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

At the end of each reporting period, we revise our estimates of the number of options and shares that are expected to vest based on the service and non-marketing vesting performance conditions. We recognize the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

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

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

(b) Cash-settled share-based payment transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is with recognition of a corresponding liability. The liability is re-measured at each reporting date up to and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

(c) Modifications

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

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Leases

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

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

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

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

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

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

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DESCRIPTION OF KEY STATEMENT OF COMPREHENSIVE INCOME ITEMS

The table below sets forth our consolidated statements of comprehensive income for the years/periods indicated derived from our consolidated statements of comprehensive income set out in the Accountant's Report included in Appendix I to this Prospectus:

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Revenue	942,238	2,018,399	3,082,637	482,261	644,397
Cost of sales ⁽¹⁾	(512,503)	(1,064,924)	(1,595,991)	(247,377)	(362,835)
Gross profit	429,735	953,475	1,486,646	234,884	281,562
Selling and marketing expenses ⁽¹⁾	(247,829)	(455,001)	(412,152)	(80,539)	(82,849)
General and administrative expenses ⁽¹⁾	(246,493)	(541,730)	(527,638)	(83,178)	(101,099)
Research and development expenses ⁽¹⁾	(565,674)	(1,249,485)	(1,650,010)	(225,656)	(241,457)
Credit loss allowance	(1,992)	(15,206)	(48,914)	(7)	(5,578)
Other income	42,583	41,627	62,662	13,535	16,161
Other gains, net	29,604	93,514	63,504	18,066	8,429
Operating loss	(560,066)	(1,172,806)	(1,025,902)	(122,895)	(124,831)
Share of (losses)/profits of investments accounted for using the equity method	(6,477)	3,802	(3,200)	538	(791)
Finance income	6,038	24,416	46,183	7,539	12,429
Finance costs	(188,978)	(647,111)	(682,175)	(161,393)	(194,445)
Loss before income tax	(749,483)	(1,791,699)	(1,665,094)	(276,211)	(307,638)
Income tax (expenses)/credit	(727)	(10,369)	11,673	8,059	3,742
Loss for the year/period	(750,210)	(1,802,068)	(1,653,421)	(268,152)	(303,896)
Other comprehensive income/(loss):					
<i>Item that may be reclassified to profit or loss</i>					
Currency translation differences	1,451	1,837	(7,162)	459	634
<i>Item that will not be reclassified to profit or loss</i>					
Share of other comprehensive income/(loss) of investments accounted for using the equity method	-	9,160	4,345	895	(266)

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	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Other comprehensive income/(loss) for the year/period, net of tax	1,451	10,997	(2,817)	1,354	368
Total comprehensive loss for the year/period	<u>(748,759)</u>	<u>(1,791,071)</u>	<u>(1,656,238)</u>	<u>(266,798)</u>	<u>(303,528)</u>
Loss attributable to:					
Owners of the Company	(749,650)	(1,785,655)	(1,644,897)	(263,626)	(291,344)
Non-controlling interests	<u>(560)</u>	<u>(16,413)</u>	<u>(8,524)</u>	<u>(4,526)</u>	<u>(12,552)</u>
	<u>(750,210)</u>	<u>(1,802,068)</u>	<u>(1,653,421)</u>	<u>(268,152)</u>	<u>(303,896)</u>
Total comprehensive loss attributable to:					
Owners of the Company	(748,199)	(1,774,658)	(1,647,714)	(262,272)	(290,976)
Non-controlling interests	<u>(560)</u>	<u>(16,413)</u>	<u>(8,524)</u>	<u>(4,526)</u>	<u>(12,552)</u>
	<u>(748,759)</u>	<u>(1,791,071)</u>	<u>(1,656,238)</u>	<u>(266,798)</u>	<u>(303,528)</u>

Note:

- (1) Share-based compensation expenses recognized for the Track Record Period were allocated as follows:

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Cost of sales	1,104	4,603	–	–	–
Selling and marketing expenses	20,726	98,341	8,756	–	–
General and administrative expenses	126,467	368,250	278,629	–	–
Research and development expenses	<u>25,368</u>	<u>132,440</u>	<u>146,018</u>	<u>–</u>	<u>–</u>
Total	<u>173,665</u>	<u>603,634</u>	<u>433,403</u>	<u>–</u>	<u>–</u>

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Non-IFRS Measures

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

Adjusted Operating Loss (a non-IFRS measure)

We define adjusted operating loss (a non-IFRS measure) as operating loss by adding back share-based compensation and listing expenses. The following table reconciles our adjusted operating loss (a non-IFRS measure) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, namely operating loss and as a percentage of our total revenue.

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>									
	<i>(unaudited)</i>									
Reconciliation of										
operating loss and										
adjusted operating loss										
(non-IFRS measure)										
Operating loss	(560,066)	(59.4)	(1,172,806)	(58.1)	(1,025,902)	(33.3)	(122,895)	(25.5)	(124,831)	(19.4)
Add:										
Share-based										
compensation	173,665	18.4	603,634	29.9	433,403	14.1	-	-	-	-
Listing expenses	-	-	672	0.0	44,720	1.5	42,687	8.9	47,985	7.4
Adjusted operating loss										
(non-IFRS measure)	<u>(386,401)</u>	<u>(41.0)</u>	<u>(568,500)</u>	<u>(28.2)</u>	<u>(547,779)</u>	<u>(17.8)</u>	<u>(80,208)</u>	<u>(16.6)</u>	<u>(76,846)</u>	<u>(11.9)</u>

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Adjusted Net Loss (a non-IFRS measure)

We define adjusted net loss (a non-IFRS measure) as loss for the year/period by adding back share-based compensation, interest expense on redemption liabilities and listing expenses. The following table reconciles our adjusted net loss (a non-IFRS measure) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, namely loss for the year/period and as a percentage of our total revenue.

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>						<i>(unaudited)</i>			
Reconciliation of loss for the year/period and adjusted net loss (non-IFRS measure)										
Loss for the year/period	(750,210)	(79.6)	(1,802,068)	(89.2)	(1,653,421)	(53.6)	(268,152)	(55.6)	(303,896)	(47.2)
Add:										
Share-based compensation	173,665	18.4	603,634	29.9	433,403	14.1	-	-	-	-
Interest expense on redemption liabilities	186,240	19.8	638,682	31.6	670,963	21.8	158,684	32.9	190,778	29.6
Listing expenses	-	-	672	0.0	44,720	1.5	42,687	8.9	47,985	7.4
Adjusted net loss (non-IFRS measure)	<u>(390,305)</u>	<u>(41.4)</u>	<u>(559,080)</u>	<u>(27.7)</u>	<u>(504,335)</u>	<u>(16.4)</u>	<u>(66,781)</u>	<u>(13.8)</u>	<u>(65,133)</u>	<u>(10.1)</u>

Our management considers that (i) share-based compensation, which relates to options and shares that we awarded to our employees for their contribution to us, is non-cash in nature and does not result in cash outflow, (ii) interest expense on redemption liabilities is a non-cash item, and (iii) listing expenses, which relate to this Global Offering. Therefore, by eliminating the impacts of such items in the calculation of adjusted operating loss (a non-IFRS measure) and adjusted net loss (a non-IFRS measure), this measure could better reflect our underlying operating performance and could better facilitate the comparison of operating performance from year to year and from period to period.

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Revenue

During the Track Record Period, we primarily derived revenue from providing (i) Sage Platform and applications, and (ii) application development and other services. The table below sets forth a breakdown of our revenue, in absolute amounts and as percentages of total revenue, for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Sage Platform and applications										
Software licensing	157,888	16.8	356,156	17.6	596,001	19.3	87,170	18.1	103,429	16.1
SageOne	461,041	48.9	658,398	32.7	895,850	29.1	160,682	33.3	168,306	26.1
Sub-total	618,929	65.7	1,014,554	50.3	1,491,851	48.4	247,852	51.4	271,735	42.2
Application development and other services										
	323,309	34.3	1,003,845	49.7	1,590,786	51.6	234,409	48.6	372,662	57.8
Total	942,238	100.0	2,018,399	100.0	3,082,637	100.0	482,261	100.0	644,397	100.0

- Sage Platform and applications.** We offer enterprise AI solutions and generate revenue from sales of our Sage Platform and applications. The Sage Platform and applications are delivered primarily through (i) license of software installed on-premise at servers of our end users and (ii) software-defined “All-in-One” solutions, SageOne, with prebuilt Sage Platform and applications, both of which allow our users to develop their own AI applications on Sage Platform. As our users develop more AI applications for new use cases on our platform and/or increase usage in existing use cases which require more computing power, they will need to purchase additional licenses from us for additional computing power, which in turn allows us to capture additional monetization opportunities on a recurring basis. The price of our software license is primarily based on the estimated computing power consumption by reference to the AI applications our users plan to deploy. We charge customers of SageOne by taking into account the number of hardware, required computing power, license fees of our software and service fees for deployment, operation and maintenance.

FINANCIAL INFORMATION

- ***Application development and other services.*** At our users' request, we primarily offer application development services to help them develop customized AI applications on Sage Platform based on their business needs. We charge them on a project basis, the pricing of which is primarily based on the manpower consumption of the relevant services. In 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, the number of our AI application customization project, on a contract number basis, was 213, 357, 908, 147 and 229, respectively. The average revenue per contract was RMB1.4 million, RMB2.2 million, RMB1.7 million, RMB1.6 million and RMB1.6 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively. Based on the business needs of our users, the contract value of our AI application customization projects varies from project to project, and may range up to over RMB30 million. As our users' demand for AI applications increases with their business expansion, they will continue to procure our application development services, allowing us to capture more service fees on an on-going basis. To a lesser extent, we also offer other services, which primarily include AI-empowered precision marketing services that help enterprises optimize their marketing activities.

See "Business – Our Enterprise AI Solutions" for more information about our enterprise AI solutions.

Cost of Sales

Our cost of sales consists primarily of (i) cost of finished goods sold, which primarily represents procurement cost of hardware components from third-party vendors; (ii) technology service fees; (iii) employee benefit expenses, which primarily represent wages and benefits of our implementation and maintenance personnel for our enterprise AI solutions; and (iv) others. Technology service fees primarily represent technology implementation costs paid to third-party service providers for delivery, deployment and installation of customized AI applications that we develop at users' request. These tasks are not sophisticated but would require large amounts of manpower. Hence, we decided to outsource to third-party services providers to save costs and to allow us focus on our core technology R&D operations. Such costs are incurred at the deployment stage and do not recur after deployment. These service providers are typically IT and technology outsourcing service providers in China. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of such service providers were Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, other than as disclosed above and to the best of our knowledge, none of us, our Directors, Supervisors, senior management, or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) and any of their respective associates had any interest in, or any other past or present relationships (business, employment, family, trust, financing or otherwise) with such service providers or their ultimate beneficial owners, as applicable.

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The table below sets forth a breakdown of our cost of sales by nature, in absolute amounts and percentages, for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Technology service fees	149,793	29.2	491,093	46.1	778,981	48.8	135,987	55.0	200,039	55.1
Cost of finished goods sold	323,595	63.1	434,021	40.8	613,183	38.4	89,965	36.4	128,206	35.3
Employee benefit expenses ⁽¹⁾	24,181	4.7	78,644	7.4	154,022	9.7	16,679	6.7	28,542	7.9
Others ⁽²⁾	14,934	3.0	61,166	5.7	49,805	3.1	4,746	1.9	6,048	1.7
Total	512,503	100.0	1,064,924	100.0	1,595,991	100.0	247,377	100.0	362,835	100.0

Notes:

- (1) Include share-based compensation to implementation and maintenance personnel in the amount of RMB1.1 million, RMB4.6 million, nil, nil and nil in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively, accounting for 0.2%, 0.4%, nil, nil and nil of our cost of sales in the respective year/period.
- (2) Others primarily consist of (i) business travel expenses and (ii) cloud services and other technical service fees. We incur cloud services and other technical service fees in relation to our customized application development services to address our users' specific needs.

With the penetration of AI technologies, users have great demand for customized industry-specific AI applications. In this regard, we have collaborated with third-party service providers for delivery, deployment and installation of customized AI applications that we develop at users' request. During the Track Record Period, the increase in our technology service fees were primarily attributable to the increased technology implementation costs paid to third-party service providers to develop customized industry-specific AI applications, which is in line with the increase in our revenue generated from customized AI application development services which is categorized under the "application development and other services" segment. Such increase was primarily attributable to increased demands for customized industry-specific AI applications from users in verticals we have expanded into, such as wind power, telecommunication and manufacture. Our revenue generated from customized AI application development services was RMB293.3 million, RMB972.2 million, RMB1,587.8 million, RMB233.3 million and RMB372.0 million in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our cost of sales, in absolute amounts and percentages, for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Sage Platform and applications										
Software licensing	4,986	1.0	19,251	1.8	31,123	2.0	6,458	2.6	6,857	1.9
SageOne	333,985	65.1	478,768	45.0	664,359	41.6	113,030	45.7	131,407	36.2
Subtotal	338,971	66.1	498,019	46.8	695,482	43.6	119,488	48.3	138,264	38.1
Application development and other services										
	173,532	33.9	566,905	53.2	900,509	56.4	127,889	51.7	224,571	61.9
Total	512,503	100.0	1,064,924	100.0	1,595,991	100.0	247,377	100.0	362,835	100.0

Gross Profit and Gross Profit Margin

Our gross profit increased by 121.9% from RMB429.7 million in 2020 to RMB953.5 million in 2021, and further by 55.9% to RMB1,486.6 million in 2022, and increased by 19.9% from RMB234.9 million in the three months ended March 31, 2022 to RMB281.6 million in the three months ended March 31, 2023 in line with our growth in revenue during the Track Record Period. Our overall gross profit margin increased from 45.6% in 2020 to 47.2% in 2021, primarily due to the increase of revenue contribution of application development and other services, which had relatively high gross profit margins, mainly as a result of recovery from the negative impact of COVID-19. Our overall gross profit margin further increased to 48.2% in 2022, primarily due to the increase of revenue contribution of software licensing, which had relatively high gross profit margins, as software licensing requires less on-site services than our other segments, and thus was less affected by the recurrence of COVID-19. Our overall gross profit margin decreased from 48.7% in the three months ended March 31, 2022 to 43.7% in the three months ended March 31, 2023, primarily due to the increase of revenue contribution of SageOne and application development and other services, which had lower gross profit margins compared with software licensing.

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The table below sets forth a breakdown of our gross profit and gross profit margin for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Sage Platform and applications										
Software licensing	152,902	96.8	336,905	94.6	564,878	94.8	80,712	92.6	96,572	93.4
SageOne	127,056	27.6	179,630	27.3	231,491	25.8	47,652	29.7	36,899	21.9
Subtotal	279,958	45.2	516,535	50.9	796,369	53.4	128,364	51.8	133,471	49.1
Application development and other services										
	149,777	46.3	436,940	43.5	690,277	43.4	106,520	45.4	148,091	39.7
Total	429,735	45.6	953,475	47.2	1,486,646	48.2	234,884	48.7	281,562	43.7

Selling and Marketing Expenses

Our selling and marketing expenses are incurred primarily to increase our brand awareness and expand our user base. Our selling and marketing expenses consist primarily of (i) employee benefit expenses, which primarily represents wages and benefits of our selling and marketing staff, (ii) advertising and marketing expenses and (iii) others. The following table sets forth a breakdown of our selling and marketing expenses by nature, in absolute amounts and percentages, for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Advertising and marketing expenses	99,570	40.2	167,060	36.7	198,035	48.0	31,370	39.0	36,245	43.7
Employee benefit expenses ⁽¹⁾	131,605	53.1	246,384	54.2	166,380	40.4	39,805	49.4	36,205	43.7
Others ⁽²⁾	16,654	6.7	41,557	9.1	47,737	11.6	9,364	11.6	10,399	12.6
Total	247,829	100.0	455,001	100.0	412,152	100.0	80,539	100.0	82,849	100.0

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Notes:

- (1) Include share-based compensation for selling and marketing staff in the amount of RMB20.7 million, RMB98.3 million, RMB8.8 million, nil and nil in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively, accounting for 8.4%, 21.6%, 2.1%, nil and nil of our selling and marketing expenses in the respective year/period.
- (2) Others primarily consist of (i) technology service fees, (ii) business travel expenses, (iii) depreciation of property and equipment, (iv) amortization of intangible assets and (v) depreciation of right-of-use assets.

Our selling and marketing expenses accounted for 26.3%, 22.5%, 13.4%, 16.7% and 12.9% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

General and Administrative Expenses

Our general and administrative expenses consist primarily of (i) employee benefit expenses, which primarily represent wages and benefits of our administrative and other staff; (ii) professional fees and (iii) others.

The table below sets forth a breakdown of our general and administrative expenses by nature, in absolute amounts and percentages, for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee benefit expenses ⁽¹⁾	196,907	79.9	465,013	85.8	417,404	79.1	28,418	34.2	36,252	35.9
Professional fees	16,789	6.8	34,177	6.3	61,286	11.6	45,613	54.8	52,059	51.5
Others ⁽²⁾	32,797	13.3	42,540	7.9	48,948	9.3	9,147	11.0	12,788	12.6
Total	246,493	100.0	541,730	100.0	527,638	100.0	83,178	100.0	101,099	100.0

Notes:

- (1) Include share-based compensation for administrative and other staff in the amount of RMB126.5 million, RMB368.3 million, RMB278.6 million, nil and nil in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively, accounting for 51.3%, 68.0%, 52.8%, nil and nil of our general and administrative expenses in the respective year/period.
- (2) Others primarily consist of (i) depreciation of property and equipment, (ii) amortization of intangible assets, (iii) technology service fees, (iv) business travel expenses, and (v) depreciation of right-of-use assets.

Our general and administrative expenses accounted for 26.2%, 26.8%, 17.1%, 17.2% and 15.7% of our total revenue in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses are incurred primarily to develop and enhance our solutions and technology stacks. The main components of our research and development expenses include (i) technology service fees, which primarily represent outsourcing costs for certain non-core and less sophisticated research and development projects, (ii) employee benefit expenses, which primarily represent wages and benefits of our research and development staff and (iii) others. To focus on our core research and development activities, we have outsourced certain non-core and less sophisticated research and development projects to third-party research and development service providers. We are entitled to all copyrights in relation to the R&D projects, including but not limited to the technical materials, documents, source codes and applications. When deciding the types of research and development projects could be outsourced, we primarily consider two criteria, including (i) not core to our Sage Platform, such as the development of applications in our AI application store and miscellaneous product modules and the design of user interfaces, and (ii) not sophisticated but would require large amounts of manpower, such as product testing.

The following table sets forth the breakdown of our research and development expenses by nature, in absolute amount and percentages, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Technology service fees	289,769	51.2	841,301	67.3	1,218,567	73.9	147,424	65.3	169,932	70.4
Employee benefit expenses ⁽¹⁾	211,076	37.3	336,487	26.9	369,993	22.4	54,715	24.2	59,699	24.7
Others ⁽²⁾	64,829	11.5	71,697	5.8	61,450	3.7	23,517	10.5	11,826	4.9
Total	565,674	100.0	1,249,485	100.0	1,650,010	100.0	225,656	100.0	241,457	100.0

Notes:

- (1) Include share-based compensation for research and development staff in the amount of RMB25.4 million, RMB132.4 million, RMB146.0 million, nil and nil in 2020, 2021, 2022 and in the three months ended March 31, 2022 and 2023, respectively, accounting for 4.5%, 10.6%, 8.8%, nil and nil of our research and development expenses in the respective year/period.
- (2) Others primarily consist of (i) depreciation of property and equipment, (ii) amortization of intangible assets, (iii) cloud services and other technical service fees, (iv) business travel expenses, and (v) depreciation of right-of-use assets.

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Our research and development expenses accounted for 60.0%, 61.9%, 53.5%, 46.8% and 37.5% of our total revenue in 2020, 2021, 2022, and the three months ended March 31, 2022 and 2023, respectively.

Credit Loss Allowance

Our credit loss allowance mainly includes the credit loss allowance on trade receivables, contract assets and other receivables. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we had credit loss allowance of RMB2.0 million, RMB15.2 million, RMB48.9 million, RMB7 thousand and RMB5.6 million, respectively.

Other Income

Our other income consists primarily of (i) government grants, which mainly relate to contributions to technology development and investments in local business districts, and (ii) value-added tax and other tax refunds. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we had other income of RMB42.6 million, RMB41.6 million, RMB62.7 million, RMB13.5 million and RMB16.2 million, respectively.

Other Gains, Net

Our other gains, net consist primarily of (i) fair value changes on financial assets at fair value through profit or loss, (ii) fair value changes on financial liabilities at fair value through profit or loss, and (iii) net gains on disposal/transfer/dilution of investments accounted for using the equity method. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we had other gains, net of RMB29.6 million, RMB93.5 million, RMB63.5 million, RMB18.1 million and RMB8.4 million, respectively.

Operating Loss

As a result of the foregoing, in 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we had operating loss of RMB560.1 million, RMB1,172.8 million, RMB1,025.9 million, RMB122.9 million and RMB124.8 million, respectively.

Share of (Losses)/Profits of Investments Accounted for Using the Equity Method

In 2020, 2022 and the three months ended March 31, 2023, we had share of losses of investments accounted for using the equity method of RMB6.5 million, RMB3.2 million and RMB0.8 million, respectively. In 2021 and the three months ended March 31, 2022, we had share of profits of investments accounted for using the equity method of RMB3.8 million and RMB0.5 million, respectively.

Finance Income

Our finance income consist primarily of interest income from bank deposits. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we had finance income of RMB6.0 million, RMB24.4 million, RMB46.2 million, RMB 7.5 million and RMB12.4 million, respectively.

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Finance Costs

Our finance costs consist primarily of (i) interest expense on redemption liabilities and (ii) other finance costs. We incurred interest expense on redemption liabilities primarily due to certain preferred rights historically granted to our investors, which had been amortized with interests charged. See “Discussion of Selected Items from the Consolidated Statements of Financial Position – Liabilities – Redemption Liabilities.”

The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Interest expense on redemption liabilities	186,240	98.6	638,682	98.7	670,963	98.4	158,684	98.3	190,778	98.1
Other finance costs ⁽¹⁾	2,738	1.4	8,429	1.3	11,212	1.6	2,709	1.7	3,667	1.9
Total	188,978	100.0	647,111	100.0	682,175	100.0	161,393	100.0	194,445	100.0

Note:

- (1) Other finance costs primarily consist of (i) interest expense on lease liabilities, (ii) interest expense on borrowings, and (iii) amortized amounts on payable for acquisition of subsidiaries.

Income Tax (Expenses)/Credit

Our income tax (expenses)/credit consisted primarily of (i) current income tax and (ii) deferred income tax. In 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023, we recorded income tax expenses of RMB0.7 million and RMB10.4 million and income tax credit of RMB11.7 million, RMB8.1 million and RMB3.7 million, respectively. In 2020 and 2021, we incurred income tax expenses even though we had losses before income tax mainly attributable to the temporary tax differences incurred as a result of fair value changes of our equity investments and financial instruments. In 2022 and the three months ended March 31, 2022 and 2023, we incurred income tax credit mainly attributable to the temporary tax differences incurred as a result of fair value changes of our financial instruments and the amortization of our intangible assets acquired through business combination.

TAXATION

PRC

We and our subsidiaries in China are generally subject to a general PRC enterprise income tax (“EIT”) at the statutory rate of 25%. Fourth Paradigm (Beijing) Data & Technology Co., Ltd., one of our subsidiaries in the PRC, enjoyed a three-year preferential tax treatment for high and new technology enterprises at the reduced EIT rate of 15% during the Track Record Period, and we consider it can be qualified as a high and new technology enterprise for renewal of such preferential tax treatment in the foreseeable future.

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The State Taxation Administration of the People's Republic of China announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses ("Super Deduction") from January 1, 2018 to December 31, 2020, and announced in March 2021 the extension of this preferential claim percentage to December 31, 2023. As announced in March 2022 and September 2022, technology-based small and medium-sized enterprise would be entitled to claim 200% of their research and development expenses from January 1, 2022 and other enterprises would entitle to claim 200% of their research and development expenses from October 1, 2022 to December 31, 2022. As announced in March 2023, enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Super Deduction from January 1, 2023. We have made our best estimate for the Super Deduction to be claimed for our entities in ascertaining our assessable profits during the Track Record Period.

Hong Kong

Our subsidiary 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 HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

Singapore

Entities incorporated in Singapore are 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 we had no estimated assessable profit that were subject to Singapore income tax during the Track Record Period.

DISCUSSION OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2023 Compared with Three Months Ended March 31, 2022

Revenue

Our revenue increased by 33.6% from RMB482.3 million in the three months ended March 31, 2022 to RMB644.4 million in the three months ended March 31, 2023, attributable to (i) an increase by 59.0% in the revenue generated by our application development and other services from RMB234.4 million in the three months ended March 31, 2022 to RMB372.7 million in the three months ended March 31, 2023, and (ii) an increase by 9.6% in the revenue generated from our Sage Platform and applications from RMB247.9 million in the three months ended March 31, 2022 to RMB271.7 million in the three months ended March 31, 2023. Our revenue increases were primarily driven by the expansion in our number of users from 125 in the three months ended March 31, 2022 to 147 in the three months ended March 31, 2023, as well as increased user spending evidenced by the increase of our average revenue per user from RMB6.7 million to RMB9.4 million in the same periods.

FINANCIAL INFORMATION

- ***Sage Platform and applications.*** Revenue from sales of our Sage Platform and applications increased by 9.6% from RMB247.9 million in the three months ended March 31, 2022 to RMB271.7 million in the three months ended March 31, 2023 as a result of our business expansion efforts. More specifically, revenue from software licensing increased by 18.7% from RMB87.2 million in the three months ended March 31, 2022 to RMB103.4 million in the three months ended March 31, 2023, primarily driven by the growth of our user base and user spending on our software licensing. Revenue from SageOne increased by 4.7% from RMB160.7 million in the three months ended March 31, 2022 to RMB168.3 million in the three months ended March 31, 2023, primarily due to an expansion of our user base for SageOne as it becomes increasingly well received by users.
- ***Application development and other services.*** Revenue from application development and other services increased by 59.0% from RMB234.4 million in the three months ended March 31, 2022 to RMB372.7 million in the three months ended March 31, 2023. We believe that these increases were mainly due to the growth of our user base.

Cost of Sales

Our cost of sales increased by 46.7% from RMB247.4 in the three months ended March 31, 2022 to RMB362.8 million in the three months ended March 31, 2023. The increase in cost of sales was primarily due to the increase in technology service fees by 47.1% from RMB136.0 million in the three months ended March 31, 2022 to RMB200.0 million in the three months ended March 31, 2023, which was due to our increased use of third-party deployment service providers in line with the increase of our revenue generated from customized AI application development services.

For Sage Platform and applications, our cost of sales for software licensing increased slightly from RMB6.5 million in the three months ended March 31, 2022 to RMB6.9 million in the three months ended March 31, 2023, and our cost of sales for SageOne increased by 16.3% from RMB113.0 million to RMB131.4 million in the same periods. For application development and other services, our cost of sales for AI applications customization increased by 75.6% from RMB127.9 million in the three months ended March 31, 2022 to RMB224.6 million in the three months ended March 31, 2023, in line with the increase of our revenue generated from customized AI application development services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 19.9% from RMB234.9 million in the three months ended March 31, 2022 to RMB281.6 million in the three months ended March 31, 2023. Our gross profit margin decreased from 48.7% for the three months ended March 31, 2022 to 43.7% for the three months ended March 31, 2023, primarily due to the increase of revenue contribution from SageOne and application development and other services, which have lower gross profit margins compared with software licensing. Our gross

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profit margin for software licensing kept stable in the three months ended March 31, 2022 and 2023, being 92.6% and 93.4%, respectively. Our gross profit margin for SageOne decreased from 29.7% in the three months ended March 31, 2022 to 21.9% in the three months ended March 31, 2023, primarily because some of our SageOne solutions launched recently are at an early stage of commercialization and have relatively low gross profit margins. For application development and other services, our gross profit margin decreased from 45.4% in the three months ended March 31, 2022 to 39.7% in the three months ended March 31, 2023, primarily because we increased our investment in customer acquisition to pursue long-term business relationships.

Selling and Marketing Expenses

Our selling and marketing expenses slightly increased by 2.9% from RMB80.5 million in the three months ended March 31, 2022 to RMB82.8 million in the three months ended March 31, 2023, primarily due to the increase of advertising and marketing expenses from RMB31.4 million to RMB36.2 million in the same periods.

General and Administrative Expenses

Our general and administrative expenses slightly increased by 21.5% from RMB83.2 million in the three months ended March 31, 2022 to RMB101.1 million in the three months ended March 31, 2023, mainly attributable to the increase of employee benefit expenses from RMB28.4 million to RMB36.3 million in the same periods, primarily due to the increased headcounts of general and administrative staff.

Research and Development Expenses

Our research and development expenses increased by 7.0% from RMB225.7 million in the three months ended March 31, 2022 to RMB241.5 million in the three months ended March 31, 2023. The increase was primarily attributable to the increase of technology service fees from RMB147.4 million in the three months ended March 31, 2022 to RMB169.9 million in the three months ended March 31, 2023, illustrating our continuous investments in research and development activities.

Credit Loss Allowance

Our credit loss allowance increased from 7 thousand in the three months ended March 31, 2022 to RMB5.6 million in the three months ended March 31, 2023, primarily due to provisions made for individually impaired trade receivables from specific customers identified with recoverability issues.

Other Income

Our other income increased by 19.4% from RMB13.5 million in the three months ended March 31, 2022 to RMB16.2 million in the three months ended March 31, 2023, primarily due to the increase in value-added tax and other tax refunds from RMB10.9 million to RMB13.9 million, primarily as a result of our revenue growth.

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Other Gains, Net

Our other gains, net decreased by 53.3% from RMB18.1 million in the three months ended March 31, 2022 to RMB8.4 million the three months ended March 31, 2023, primarily due to a decrease in fair value changes on financial assets at fair value through profit or loss in relation to the wealth management products we held from RMB18.6 million to RMB6.2 million in the same periods.

Operating Loss

As a result of the foregoing, our operating loss increased by 1.6% from RMB122.9 million in the three months ended March 31, 2022 to RMB124.8 million in the three months ended March 31, 2023.

Share of (Losses)/Profits of Investments Accounted for Using the Equity Method

We recorded RMB0.5 million in share of profits of investments accounted for using the equity method and RMB0.8 million in share of losses of investments accounted for using the equity method in the three months ended March 31, 2022 and 2023, respectively.

Finance Income

Our finance income increased by 64.9% from RMB7.5 million in the three months ended March 31, 2022 to RMB12.4 million in the three months ended March 31, 2023, primarily due to the increase of our interest income from bank deposits.

Finance Costs

Our finance costs increased by 20.5% from RMB161.4 million in the three months ended March 31, 2022 to RMB194.4 million in the three months ended March 31, 2023, primarily due to the increase of interest expense on redemption liabilities resulted from amortization of certain preferred rights that we granted to investors historically.

Income Tax (Expenses)/Credit

Our income tax credit decreased from RMB8.1 million in the three months ended March 31, 2022 to RMB3.7 million in the three months ended March 31, 2023, primarily due to impacts of deferred taxes in connection with fair value changes of our financial instruments and the amortization of our intangible assets acquired through business combination.

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Year Ended December 31, 2022 Compared with the Year Ended December 31, 2021

Revenue

Our revenue increased by 52.7% from RMB2,018.4 million in 2021 to RMB3,082.6 million in 2022, which was attributable to (i) an increase by 47.0% in the revenue generated from our Sage Platform and applications from RMB1,014.6 million in 2021 to RMB1,491.9 million in 2022, and (ii) an increase by 58.5% in the revenue generated by our application development and other services from RMB1,003.8 million in 2021 to RMB1,590.8 million in 2022. Our revenue increases were primarily driven by the expansion in our number of users from 245 in 2021 to 409 in 2022, as well as increased user spending evidenced by the increase of our average revenue per lighthouse user from 13.7 million in 2021 to 17.9 million.

- ***Sage Platform and applications.*** Revenue from sales of our Sage Platform and applications increased by 47.0% from RMB1,014.6 million in 2021 to RMB1,491.9 million in 2022 as a result of our business expansion efforts. More specifically, revenue from software licensing increased by 67.3% from RMB356.2 million in 2021 to RMB596.0 million in 2022, primarily driven by the growth of our user base and user spending on our software licensing. Revenue from SageOne increased by 36.1% from RMB658.4 million in 2021 to RMB895.9 million in 2022, primarily due to an expansion of our user base for SageOne as it becomes increasingly well received by users.
- ***Application development and other services.*** Revenue from application development and other services increased by 58.5% from RMB1,003.8 million in 2021 to RMB1,590.8 million in 2022. We believe that these increases were mainly due to the growth of our user base.

Cost of Sales

Our cost of sales increased by 49.9% from RMB1,064.9 million in 2021 to RMB1,596.0 million in 2022. The increase in cost of sales was primarily due to the increase in technology service fees by 58.6% from RMB491.1 million in 2021 to RMB779.0 million in 2022, which was due to our increased use of third-party deployment service providers in line with the increase of our revenue generated from customized AI application development services.

For Sage Platform and applications, our cost of sales for software licensing increased significantly from RMB19.3 million in 2021 to RMB31.1 million in 2022 in line with the revenue growth, and our cost of sales for SageOne increased by 38.8% from RMB478.8 million in 2021 to RMB664.4 million in 2022. For application development and other services, our cost of sales for AI applications customization increased by 58.8% from RMB566.9 million in 2021 to RMB900.5 million in 2022, in line with the increase of our revenue generated from customized AI application development services.

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Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 55.9% from RMB953.5 million in 2021 to RMB1,486.6 million in 2022, in line with our growth in revenue during the same periods. Our gross profit margin increased from 47.2% in 2021 to 48.2% in 2022, primarily due to the increase of revenue contribution of software licensing, which had relatively high gross profit margins as software licensing requires less on-site services than our other segments and thus was less affected by the recurrence of COVID-19 in 2022. Our gross profit margin for software licensing kept stable in 2021 and 2022, being 94.6% and 94.8%, respectively. Our gross profit margin for SageOne decreased slightly from 27.3% in 2021 to 25.8% in 2022. For application development and other services, our gross profit margin kept stable in 2021 and 2022, being 43.5% and 43.4%, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 9.4% from RMB455.0 million in 2021 to RMB412.2 million in 2022. The decrease was attributable to a decrease in employee benefit expenses by 32.5% from RMB246.4 million in 2021 to RMB166.4 million in 2022, mainly attributable to the decrease in employee benefit expenses of RMB80.0 million, in relation to the decreased share-based compensation in 2022.

General and Administrative Expenses

Our general and administrative expenses slightly decreased by 2.6% from RMB541.7 million in 2021 to RMB527.6 million in 2022, which was mainly attributable to the decrease in employee benefit expenses of RMB47.6 million, in relation to the decreased share-based compensation in 2022.

Research and Development Expenses

Our research and development expenses increased by 32.1% from RMB1,249.5 million in 2021 to RMB1,650.0 million in 2022. The increase was primarily attributable to the increase of technology service fees by 44.8% from RMB841.3 million to RMB1,218.6 million, illustrating our continuous investments in research and development activities.

Credit Loss Allowance

Our credit loss allowance increased by 221.7% from RMB15.2 million in 2021 to RMB48.9 million in 2022. The increase was mainly attributable to our significantly increased trade receivables due to our revenue increases.

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Other Income

Our other income increased by 50.5% from RMB41.6 million in 2021 to RMB62.7 million in 2022, primarily due to the increase in value-added tax and other tax refunds from RMB36.5 million to RMB52.4 million, primarily as a result of our revenue growth.

Other Gains, Net

Our other gains, net decreased by 32.1% from RMB93.5 million in 2021 to RMB63.5 million in 2022, primarily due to a decrease in fair value changes on financial assets at fair value through profit or loss from RMB85.6 million in 2021 to RMB53.5 million in 2022 in relation to the wealth management products we held.

Operating Loss

As a result of the foregoing, our operating loss decreased by 12.5% from RMB1,172.8 million in 2021 to RMB1,025.9 million in 2022. Overall, the decrease of our operating loss was due to the improvement of our operational efficiency.

Share of (Losses)/Profits of Investments Accounted for Using the Equity Method

We recorded RMB3.8 million in share of profits of investments accounted for using the equity method and RMB3.2 million in share of losses of investments accounted for using the equity method in 2021 and 2022, respectively.

Finance Income

Our finance income increased by 89.2% from RMB24.4 million in 2021 to RMB46.2 million in 2022, primarily due to the increase of our interest income from bank deposits.

Finance Costs

Our finance costs kept stable, being RMB647.1 million in 2021 and RMB682.2 million in 2022.

Income Tax (Expenses)/Credit

We incurred income tax expenses of RMB10.4 million in 2021 and income tax credit of RMB11.7 million in 2022. The change in the tax expenses was primarily due to impacts of deferred taxes in connection with fair value changes of our financial instruments and the amortization of our intangible assets acquired through business combination.

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Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Revenue

Our revenue increased by 114.2% from RMB942.2 million in 2020 to RMB2,018.4 million in 2021, which was attributable to (i) an increase by 210.5% in the revenue generated by our application development and other services from RMB323.3 million in 2020 to RMB1,003.8 million in 2021 and (ii) an increase by 63.9% in the revenue generated from our Sage Platform and applications from RMB618.9 million to RMB1,014.6 million, over the same years. Our revenue increases were primarily driven by the expansion in our number of users from 156 in 2020 to 245 in 2021 and the increased spending of our users, especially the spending of our lighthouse users, evidenced by the increase of our average revenue per lighthouse user from RMB12.3 million in 2020 to RMB13.7 million in 2021.

- ***Sage Platform and applications.*** Revenue from sales of our Sage Platform and applications increased by 63.9% from RMB618.9 million in 2020 to RMB1,014.6 million in 2021 as a result of our business expansion efforts. More specifically, revenue from software licensing increased significantly from RMB157.9 million in 2020 to RMB356.2 million in 2021, primarily driven by the expansion in our number of users and the increased spending of our users. Revenue from SageOne increased by 42.8% from RMB461.0 million in 2020 to RMB658.4 million in 2021, primarily due to an expansion of our user base for SageOne as it becomes increasingly well received by users.
- ***Application development and other services.*** Revenue from application development and other services increased by 210.5% from RMB323.3 million in 2020 to RMB1,003.8 million in 2021. We believe that these increases were mainly due to the increase of our use cases and users that need customized AI applications on Sage Platform. Additionally, our revenue generated from services were negatively affected by the COVID-19 pandemic in 2020, as lockdown and travel restrictions in response to the pandemic temporarily prevented us from engaging with end users and partners through in-person meetings and providing them with application development and other services.

Cost of Sales

Our cost of sales increased by 107.8% from RMB512.5 million in 2020 to RMB1,064.9 million in 2021. The increase in cost of sales was primarily due to (i) the increase in technology service fees by 227.8% from RMB149.8 million in 2020 to RMB491.1 million in 2021, which was due to our increased use of third-party deployment service providers primarily driven by the increase in our revenue generated from customized AI application development services, and (ii) the increase in cost of finished goods sold by 34.1% from RMB323.6 million in 2020 to RMB434.0 million in 2021, which was in line with our increased sales of SageOne.

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For Sage Platform and applications, our cost of sales for software licensing increased by 286.1% from RMB5.0 million in 2020 to RMB19.3 million in 2021, and our cost of sales for SageOne increased by 43.4% from RMB334.0 million in 2020 to RMB478.8 million in 2021. For application development and other services, our cost of sales for AI applications customization increased by 226.7% from RMB173.5 million in 2020 to RMB566.9 million in 2021. These increases were due to our revenue growth in the respective business segments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 121.9% from RMB429.7 million in 2020 to RMB953.5 million in 2021, in line with our growth in revenue during the same periods. Our gross profit margin increased from 45.6% in 2020 to 47.2% in 2021, primarily due to the increase of revenue contribution of application development and other services, which had relatively high gross profit margins, mainly as a result of recovery from the negative impact of COVID-19. For Sage Platform and applications, our gross profit margin increased from 45.2% in 2020 to 50.9% in 2021, primarily due to the increase of revenue contribution of software licensing, which had higher gross profit margins than SageOne. Our gross profit margin for software licensing decreased slightly from 96.8% in 2020 to 94.6% in 2021. Our gross profit margin for SageOne remained stable, being 27.6% and 27.3%, in 2020 and 2021, respectively. For application development and other services, our gross profit margin slightly decreased from 46.3% in 2020 to 43.5% in 2021, primarily because we incurred additional costs to cope with the increased customization demands from new industries we entered.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 83.6% from RMB247.8 million in 2020 to RMB455.0 million in 2021, which was primarily driven by our efforts to enhance our brand awareness and our continued investments in engaging with existing customers and attracting new customers. More specifically, the increase was primarily attributable to (i) an increase in employee benefit expenses by 87.2% from RMB131.6 million in 2020 to RMB246.4 million in 2021, mainly as a result of the increased compensation level, especially the share-based compensation of our selling and marketing staff, and (ii) an increase in advertising and marketing expenses by 67.8% from RMB99.6 million in 2020 to RMB167.1 million in 2021, including increased advertisement placements, driven by our enhanced sales efforts to penetrate new verticals.

General and Administrative Expenses

Our general and administrative expenses increased by 119.8% from RMB246.5 million in 2020 to RMB541.7 million in 2021. More specifically, the increase was primarily attributable to a significant increase in employee benefit expenses from RMB196.9 million in 2020 to RMB465.0 million in 2021, mainly as a result of the share-based compensation of our general and administrative staff recognized in 2021.

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Research and Development Expenses

Our research and development expenses increased by 120.9% from RMB565.7 million in 2020 to RMB1,249.5 million in 2021, as we continued to increase our research and development efforts to enhance our fundamental capabilities in technology and to meet the needs of our business growth. More specifically, the increase was primarily attributable to (i) a significant increase in technology service fees from RMB289.8 million in 2020 to RMB841.3 million in 2021 as a result of our increased use of third party technology services for development of certain applications in our AI application store, design of user interfaces and product testing projects, driven by our enhanced research and development efforts and the expansion of our business, and (ii) a significant increase in employee benefit expenses from RMB211.1 million in 2020 to RMB336.5 million in 2021, which was mainly due to the increased headcounts and increased compensation level, especially the share-based compensation, of our research and development staff. The increase of our research and development expenses in 2021 was primarily driven by our investment in R&D activities to maintain our industry leadership and accommodate users' demand in light of the penetration of AI technologies. We incurred expenses to commercialize products and solutions using our core technologies: For example, we launched our enterprise-level AI app store in June 2021, which contains a cluster of applications on our AI operating system using our algorithms and standards. To accommodate users' increasing demand for AI solutions, we will continue to incur expenses in the design, testing and development of modules of our Sage Platform and applications. We also continued to enhance our fundamental research and to explore new areas which may lead to the next generation of AI technologies. See "Business – Research and Development."

Credit Loss Allowance

Our credit loss allowance increased significantly by 663.4% from RMB2.0 million in 2020 to RMB15.2 million in 2021. The increase was mainly attributable to our significantly increased trade receivables due to our revenue increases.

Other Income

Our other income remained stable in 2020 and 2021, being RMB42.6 million and RMB41.6 million, respectively.

Other Gains, Net

Our other gains, net increased by 215.9% from RMB29.6 million in 2020 to RMB93.5 million in 2021. The increase was mainly attributable to an increase in our fair value changes on financial assets at fair value through profit or loss through wealth management products from RMB12.5 million in 2020 to RMB85.6 million in 2021, primarily due to our increased purchase of wealth management products using the Series D financing proceeds we received in 2021 and the increased fair value of such products.

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Operating Loss

As a result of the foregoing, our operating loss increased by 109.4% from RMB560.1 million in 2020 to RMB1,172.8 million in 2021. Overall, the increase of our operating loss was due to the increase in share-based compensation in 2021 and our continuous investment in research and development.

Share of (Losses)/Profits of Investments Accounted for Using the Equity Method

We recorded RMB6.5 million in share of losses for investments accounted for using the equity method in 2020 and RMB3.8 million in share of profits for investments accounted for using the equity method in 2021.

Finance Income

Our finance income increased by 304.4% from RMB6.0 million in 2020 to RMB24.4 million in 2021, primarily due to the increase of our interest income from bank deposits.

Finance Costs

Our finance costs increased by 242.4% from RMB189.0 million in 2020 to RMB647.1 million in 2021, primarily due to a significant increase of interest expense on redemption liabilities by 242.9% from RMB186.2 million in 2020 to RMB638.7 million in 2021, which was primarily in connection with our equity financing activities.

Income Tax Expenses

We incurred income tax expenses of RMB0.7 million in 2020 and RMB10.4 million in 2021. The increase of the tax expenses was primarily as a result of temporary tax differences incurred due to fair value changes of our equity investments and financial instruments.

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DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from the Accountant's Report included in Appendix I to this Prospectus:

	As of December 31,			As of
	2020	2021	2022	March 31, 2023
	<i>(RMB in thousands)</i>			
ASSETS				
Non-current asset				
Right-of-use assets	37,814	34,074	70,002	65,669
Property and equipment	47,658	49,807	48,421	45,532
Intangible assets	19,916	395,389	457,306	448,117
Investments accounted for using the equity method	86,638	115,173	45,865	45,188
Financial assets at fair value through profit or loss	20,936	246,128	477,889	322,257
Contract assets	705	1,195	16,295	11,816
Long-term bank deposits	–	510,203	685,039	789,973
Other non-current assets	–	1,000	–	–
Total non-current assets	213,667	1,352,969	1,800,817	1,728,552
Current assets				
Inventories	28,186	184,499	349,872	408,360
Contract assets	1,193	4,434	31,093	37,909
Trade receivables	262,699	778,321	1,493,238	1,493,952
Prepayments and other receivables	169,980	272,002	380,064	388,746
Financial assets at fair value through profit or loss	174,408	2,535,763	1,330,166	769,717
Short-term bank deposits	95,602	20,000	–	–
Restricted cash	18,201	8,010	6,916	5,291
Cash and cash equivalents	1,052,073	1,292,686	1,326,818	1,425,288
Total current assets	1,802,342	5,095,715	4,918,167	4,529,263
Total assets	2,016,009	6,448,684	6,718,984	6,257,815

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	As of December 31,			As of
	2020	2021	2022	March 31, 2023
	<i>(RMB in thousands)</i>			
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital/paid-in capital	8,851	437,706	437,706	445,665
Treasury stock	(1,746,224)	(4,898,094)	(4,898,094)	(4,898,094)
Reserves	2,628,252	6,643,834	7,063,334	6,989,785
Accumulated losses	(2,068,902)	(2,534,467)	(4,177,658)	(4,469,002)
Non-controlling interests	<u>(4,976)</u>	<u>103,008</u>	<u>113,701</u>	<u>102,751</u>
Deficit on total equity	<u>(1,182,999)</u>	<u>(248,013)</u>	<u>(1,461,011)</u>	<u>(1,828,895)</u>
Non-current liabilities				
Lease liabilities	17,590	11,000	43,721	38,431
Deferred income tax liabilities	995	25,027	14,324	10,519
Borrowings	–	15,000	24,000	23,500
Redemption liabilities	2,147,031	5,822,196	6,493,159	–
Other non-current liabilities	<u>772,061</u>	<u>66,541</u>	<u>53,682</u>	<u>54,920</u>
Total non-current liabilities	<u>2,937,677</u>	<u>5,939,764</u>	<u>6,628,886</u>	<u>127,370</u>
Current liabilities				
Trade payables	84,968	321,357	863,234	619,524
Other payables and accruals	73,366	183,863	226,161	169,134
Contract liabilities	77,099	173,881	325,731	342,614
Lease liabilities	21,185	24,364	28,311	27,912
Income tax liabilities	–	4,926	1,844	402
Borrowings	–	3,752	48,554	61,099
Redemption liabilities	–	–	–	6,683,937
Other current liabilities	<u>4,713</u>	<u>44,790</u>	<u>57,274</u>	<u>54,718</u>
Total current liabilities	<u>261,331</u>	<u>756,933</u>	<u>1,551,109</u>	<u>7,959,340</u>
Total liabilities	<u>3,199,008</u>	<u>6,696,697</u>	<u>8,179,995</u>	<u>8,086,710</u>
Total equity and liabilities	<u><u>2,016,009</u></u>	<u><u>6,448,684</u></u>	<u><u>6,718,984</u></u>	<u><u>6,257,815</u></u>

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Net Current Assets and Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2020	2021	2022	March 31,	July 31,
				2023	
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current assets					
Inventories	28,186	184,499	349,872	408,360	533,322
Contract assets	1,193	4,434	31,093	37,909	32,912
Trade receivables	262,699	778,321	1,493,238	1,493,952	1,321,017
Prepayments and other receivables	169,980	272,002	380,064	388,746	573,787
Financial assets at fair value through profit or loss	174,408	2,535,763	1,330,166	769,717	691,766
Short-term bank deposits	95,602	20,000	–	–	792,191
Restricted cash	18,201	8,010	6,916	5,291	5,628
Cash and cash equivalents	1,052,073	1,292,686	1,326,818	1,425,288	968,930
Total current assets	<u>1,802,342</u>	<u>5,095,715</u>	<u>4,918,167</u>	<u>4,529,263</u>	<u>4,919,553</u>
Current liabilities					
Trade payables	84,968	321,357	863,234	619,524	578,510
Other payables and accruals	73,366	183,863	226,161	169,134	185,425
Contract liabilities	77,099	173,881	325,731	342,614	364,809
Lease liabilities	21,185	24,364	28,311	27,912	27,434
Income tax liabilities	–	4,926	1,844	402	1,336
Borrowings	–	3,752	48,554	61,099	56,786
Redemption liabilities	–	–	–	6,683,937	3,774,915
Other current liabilities	4,713	44,790	57,274	54,718	61,270
Total current liabilities	<u>261,331</u>	<u>756,933</u>	<u>1,551,109</u>	<u>7,959,340</u>	<u>5,050,485</u>
Net current assets/(liabilities)	<u>1,541,011</u>	<u>4,338,782</u>	<u>3,367,058</u>	<u>(3,430,077)</u>	<u>(130,932)</u>

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We had net current assets of RMB1,541.0 million, RMB4,338.8 million and RMB3,367.1 million and net current liabilities of RMB3,430.1 million and RMB130.9 million, respectively, as of December 31, 2020, 2021, 2022, March 31, 2023 and July 31, 2023.

Our net current assets increased from RMB1,541.0 million as of December 31, 2020 to RMB4,338.8 million as of December 31, 2021, primarily due to (i) an increase in financial assets at fair value through profit or loss from RMB174.4 million as of December 31, 2020 to RMB2,535.8 million as of December 31, 2021 primarily as a result of our investments in wealth management products due to our equity financing activities in 2021 and (ii) an increase in trade receivables from RMB262.7 million to RMB778.3 million in line with our revenue growth.

Our net current assets decreased from RMB4,338.8 million as of December 31, 2021 to RMB3,367.1 million as of December 31, 2022, primarily attributable to a decrease in the current portion of financial assets at fair value through profit or loss from RMB2,535.8 million to RMB1,330.2 million, mainly as a result of our utilization of cash and financial assets in operating expenditures, and partially offset by an increase in trade receivables from RMB778.3 million to RMB1,493.2 million in line with our revenue growth.

Our net current assets of RMB3,367.1 million as of December 31, 2022 changed to net current liabilities of RMB3,430.1 million as of March 31, 2023, primarily due to the increase in redemption liabilities of RMB6,683.9 million, which were reclassified from non-current redemption liabilities to current redemption liabilities, as the redemption rights may be exercised within one year under circumstances such as failure to achieve a Qualified IPO.

Our current liabilities decreased from RMB3,430.1 million as of March 31, 2023 to RMB130.9 million as of July 31, 2023, primarily due to the decrease in the current portion of redemption liabilities from RMB6,683.9 million to RMB3,774.9 million since certain investors had undertaken that they would not exercise their redemption rights prior to December 31, 2024 so long as the Company has an ongoing listing application.

We expect to turn our net current liabilities position into net current assets upon Listing, as the carrying amount of redemption liabilities will be reclassified from financial liabilities to equity as a result of the termination of the preferred rights. We also believe it is unlikely that we will have significant cash outflows for the settlement of redemption liabilities in the near future, since certain investors had undertaken that they would not exercise their redemption rights prior to December 31, 2024 so long as the Company has an ongoing listing application. To further improve our financial position, we plan to enhance our working capital management efficiency, improve our management of trade receivables and increase the focus on trade receivable collection. We also expect to be able to enjoy economics of scale as we scale up, which will further improve our working capital sufficiency and financial position. See also “–Liquidity and Capital Resources.”

Assets

Right-of-Use Assets

Our right-of-use assets were RMB37.8 million, RMB34.1 million, RMB70.0 million and RMB65.7 million respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023. Our right-of-use assets relate primarily to our leases of our office premises.

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Property and Equipment

Our property and equipment consist primarily of computer equipment, furniture, office equipment and leasehold improvements, which relate mainly to our leased office premises. Our property and equipment increased from RMB47.7 million as of December 31, 2020 to RMB49.8 million as of December 31, 2021, which was primarily due to expansion and leasehold improvements of office spaces and acquisition of server and electric equipment to meet the needs of the increased number of our employees and our business growth during these periods. Our property and equipment decreased slightly from RMB49.8 million as of December 31, 2021 to RMB48.4 million as of December 31, 2022 and further decreased slightly to RMB45.5 million as of March 31, 2023.

Intangible Assets

Our intangible assets primarily consist of software applications that we purchased for administrative and research and development purposes, as well as technology, customer relationship, brand name and goodwill acquired in business acquisitions. We had intangible assets of RMB19.9 million, RMB395.4 million, RMB457.3 million and RMB448.1 million, respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. From December 31, 2020 to December 31, 2021, our intangible assets increased significantly, mainly as a result of our acquisitions of Ideal Technology and Guangzhou Jianxin. See “History, Development and Corporate Structure – Major Acquisitions and Investments.” More specifically, we recorded RMB259.7 million of goodwill, RMB37.1 million of technology, RMB71.7 million of customer relationship and RMB6.4 million of brand name as at December 31, 2021, as a result of these business acquisitions. Guangzhou Jianxin and its subsidiaries are primarily engaged in provision of intelligent platform and solutions in energy and power industry. Ideal technology is mainly engaged in provision of digital operation and maintenance platform and solutions. Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group following these acquisitions. From December 31, 2021 to December 31, 2022, our intangible assets increased, mainly as a result of our acquisition of EpicHust. See Note 33(c) to the Accountant’s Report in Appendix I to this Prospectus.

Investments Accounted for Using the Equity Method

Investments accounted for using the equity method are related to our investments in certain associated companies, which amounted to RMB86.6 million, RMB115.2 million, RMB45.9 million and RMB45.2 million, respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023. The change in our interest in associates throughout the Track Record Period relates primarily to the operational and financial performance of our associates, as well as additions, disposals and transfers of our associates. See Note 17 to the Accountant’s Report in Appendix I to this Prospectus.

The following table sets forth the breakdown of our investments accounted for using the equity method.

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	As of December 31,			As of
	2020	2021	2022	March 31
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
Investments accounted for using the equity method				<i>RMB'000</i>
– Associates	69,898	101,092	45,865	45,188
– Joint ventures	16,740	14,081	–	–
	<u>86,638</u>	<u>115,173</u>	<u>45,865</u>	<u>45,188</u>

None of associates or joint ventures are individually material to the Group during the Track Record Period.

Financial Assets at Fair Value through Profit or Loss

During the Track Record Period, our financial assets at fair value through profit or loss primarily consist of wealth management products, unlisted equity securities, preferred shares investments and fund investments. The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	March 31,
	<i>(RMB in thousands)</i>			2023
Non-current				
Unlisted equity securities	9,804	19,065	77,173	77,173
Preferred shares investments	–	17,000	23,992	23,992
Fund investments	11,132	210,063	376,724	221,092
Current				
Wealth management products	174,408	2,535,763	1,330,166	611,709
Fund investments	–	–	–	158,008

Our unlisted equity securities include our long-term investments in unlisted companies, where our equity ownership is not material, we do not participate in such companies' day-to-day operations. Our unlisted equity securities increased from RMB9.8 million as of December 31, 2020 to RMB19.1 million as of December 31, 2021, and further to RMB77.2 million as of December 31, 2022, and remained the same as of March 31, 2023, reflecting our increasing investments in businesses that are complementary to ours. Our preferred shares investments include investments in ordinary shares with preferential rights. Our fund investments include our investment in funds that focus on equity investment in unlisted companies, and we are limited partners of these funds. Our fund investments increased from RMB210.1 million as of December 31, 2021 to RMB376.7 million as of December 31, 2022, and slightly increased from RMB376.7 million as of December 31, 2022 to RMB379.1 million as of March 31, 2023. For details, see Note 19(iii) to the Accountant's Report in Appendix I

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to this Prospectus. We have been in the past, and expect to continue, prudently evaluating and considering a wide array of potential investments in emerging businesses that are complementary to our business to implement our long-term growth strategy, develop our solutions and expand and penetrate the industry verticals we cover. We select our investment target companies based on the industry in which the target operates, the target's strength of technology and solutions, the target's business and financial performance and the synergy between the target and us. During the Track Record Period, we made minority equity investments in certain private companies, which are measured as financial assets at fair value through profit or loss. We undertake prudent evaluation and approval process in making investment decisions. Our investment managers conduct preliminary due diligence and evaluation on potential investment opportunities presented, and submit the targets that meet our selection criteria for pre-approval by our chief financial officer. Upon our chief financial officer's pre-approval, we organize a project working group and engage third-party professionals to conduct comprehensive due diligence, negotiate with the target company and evaluate risks associated with the investment. Investment agreements will be subject to review and approval by our investment managers and an ad hoc investment committee before execution. The payment process is also subject to the approval matrix of our finance management system. After making an investment, we typically conduct on-site visits at our investee companies on a semi-annual basis and report their operational and financial results to our chief finance officer regularly, continuing to monitor their business performance.

During the Track Record Period, we predominantly purchased relatively low-risk wealth-management products which were deposited in or managed by state-owned banks or other high-quality reputable banks in China. Our wealth management products are mainly denominated in RMB and have expected rates of return ranging from 1.63% to 6.25%, 2.20% to 4.74%, 1.60% to 4.43%, 2.20% to 4.00% and 2.70% to 4.00% per annum for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023, respectively. Our wealth management products increased from RMB174.4 million as of December 31, 2020 to RMB2,535.8 million as of December 31, 2021, primarily due to our increased purchase of wealth management products and the increased fair value of our purchased wealth management products. Our wealth management products decreased from RMB2,535.8 million as of December 31, 2021 to RMB1,330.2 million as of December 31, 2022, and further decreased to RMB611.7 million as of March 31, 2023, primarily because we partially redeemed our wealth management products in anticipation of the cash needs for the high level of operating activities. The principal and returns on all these wealth management products are not guaranteed. As of December 31, 2020, 2021, 2022 and March 31, 2023, risk profile of all of the wealth management products we purchased are relatively low. Our treasury management department is responsible for managing our investments in wealth management products. More specifically, our treasury manager solicits quotes of wealth management products from banks and formulates an investment plan for cash allocation based on our treasury management policy. The treasury manager then executes such plan upon approval by the responsible persons of our treasury management department and finance department, and our chief financial officer. Our investment strategy related to wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefit of our shareholders. We primarily invest in wealth management products with relatively low risks and the proposed investment must not interfere with our daily operation and business prospects. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited

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to macroeconomic environment, general market conditions and the expected profit or potential loss of the investment. As of March 31, 2023, our wealth management products primarily include an RMB500.0 million 207-day wealth management product issued by a reputable state-owned bank. After the Listing, our investments in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules.

In addition, any investment exceeding RMB8.0 million, through a single transaction or a series of transactions within one year, and any investment exceeding RMB30.0 million in the aggregate, in equity securities of other companies, securities that are convertible into equity of other companies or any operating assets, must be approved by our chief financial officer and the Board.

In relation to the valuation of the financial assets and liabilities at fair value through profit or loss categorized within level 3 of fair value measurement, our Directors (i) carried out independent and sufficient investigation to understand the nature of the financial instruments in considering the merits of the proposed investment; (ii) reviewed the terms of investment agreements; (iii) engaged independent and qualified valuers, which are qualified for providing valuation services under application laws and regulations in PRC, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions to determine the fair value of our investment in the level 3 financial instruments; and (iv) reviewed the key assumptions with respect to the valuation exercise, the valuation working papers and results prepared by the valuer. Based on the aforesaid procedures, the Directors are of the view that the valuation analysis is fair and reasonable, and our financial statements are properly prepared. In addition, we have 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 our level 3 financial instruments.

The Reporting Accountant has carried out necessary audit procedures in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on pages I-1 to I-3 of Appendix I to this prospectus.

In relation to the valuation of financial assets and liabilities at fair value through profit or loss categorized within level 3 of fair value measurement, the Sole Sponsor have conducted relevant due diligence work including but not limited to; (i) reviewing relevant notes in the Accountant’s Report as contained in Appendix I and associated valuation reports provided by the Group; and (ii) interviewing the management of the Company, the Reporting Accountant about, among others, the process, method, key bases and assumptions for the valuation. Having considered the work performed by the Directors, the Reporting Accountant and the results of the relevant due diligence performed as stated above, nothing has come to the Sole Sponsor’s attention that would cast doubt on the valuation of the Group’s financial assets and liabilities measured at FVTPL within level 3 of fair value measurement.

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Inventories

Our inventories primarily consist of (i) finished goods, which primarily consist of the servers and other related hardware products of our “All-in-One” solutions, and (ii) contract fulfillment costs in relation to our deployment services. Contract fulfillment costs represent the costs incurred to fulfill the obligations under the deployment service contracts when and after the contracts are entered into, but before the service thereunder is delivered to users. Such costs primarily consist of employee benefit expenses and technology service fees that are necessary to perform the contracts, which will be recognized to cost of sales mainly within 3-6 months when our related performance obligations are satisfied and upon which the related service contract revenue is recognized. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Finished goods	3,187	20,633	99,397	86,029
Contract fulfillment costs	24,999	165,786	252,269	322,543
	28,186	186,419	351,666	408,572
Less: provision for impairment	–	(1,920)	(1,794)	(212)
Total	28,186	184,499	349,872	408,360

The significant increase in our inventories from RMB28.2 million as of December 31, 2020 to RMB184.5 million as of December 31, 2021 was primarily due to the increase of contract fulfillment costs, mainly because some of our solution projects’ schedules were extended as affected by the COVID-19 pandemic. The increase in our inventories from RMB184.5 million as of December 31, 2021 to RMB349.9 million as of December 31, 2022 and further to RMB408.4 million as of March 31, 2023 was primarily due to the increase of contract fulfillment costs, driven by our increased contract amounts in line with our business growth. As of July 31, 2023, RMB153.7 million, accounting for approximately 37.6% of the RMB408.4 million inventories as of March 31, 2023, had been subsequently settled. We had not experienced any material recoverability issues for our inventories and do not anticipate to have any material recoverability issues for our inventories. We do not anticipate to have any material recoverability issues for our contract fulfillment costs because (i) our management is of the view that the risk of failure to satisfy our related performance obligations is remote considering that our business operation and financial conditions are healthy; (ii) our management is of the view that the risk of material loss under our deployment service contracts

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is remote considering our high profile client base and, to the best knowledge of our management, their healthy financial conditions in general; and (iii) we had not experienced any material recoverability issues for our contract fulfillment costs throughout the Track Record Period.

Contract assets

Our contract assets represent our rights to receive consideration for obligations performed under some of our sales contracts. These considerations are not yet payable by the customers as they are subject to certain conditions under the relevant contracts, such as lapse of the warranty period. Our non-current contract assets were RMB0.7 million, RMB1.2 million, RMB16.3 million and RMB11.8 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively, and our current contract assets were RMB1.2 million, RMB4.4 million, RMB31.1 million and RMB37.9 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. The increase of our contract assets from December 31, 2021 to December 31, 2022 was primarily due to our business growth. As of July 31, 2023, RMB6.3 million, accounting for approximately 12.7% of the RMB49.7 million as of March 31, 2023, had been subsequently certified.

In 2020, 2021, 2022 and in the three months ended March 31, 2023, our contract assets turnover days were 0.7 days, 0.7 days, 3.1 days and 6.8 days, respectively. The contract assets turnover days is calculated using the average of the opening and closing contract assets balance divided by revenue for the relevant period and multiplied by the number of days during such period. The increase of contract assets turnover days from 0.7 days in 2021 to 3.1 days in 2022 and further to 6.8 days in the three months ended March 31, 2023 was primarily because the balance of our contract assets increased as we had more sales contracts with certain conditions to receive consideration for obligations performed, driven by our business growth.

Trade Receivables

Our trade receivables consist primarily of outstanding fees due from customers in connection with the transactions in connection with our solutions.

Throughout the Track Record Period, our trade receivables have generally continued to increase, which was primarily driven by the overall growth in the volume of transactions enabled by our solutions during the same period. As of December 31, 2020, 2021, 2022 and March 31, 2023, our trade receivables were RMB262.7 million, RMB778.3 million, RMB1,493.2 million and RMB1,494.0 million, representing approximately 28%, 39%, 48% and 232% of our revenue of the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, respectively.

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The following table sets forth our trade receivables turnover days for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2020	2021	2022	2023
	Trade receivables turnover days ⁽¹⁾	86	94	134

Note:

- (1) Trade receivables turnover days is calculated using the average of the opening and closing trade receivables balance divided by revenue for the relevant period and multiplied by the number of days during such period.

In 2020, 2021, 2022 and the three months ended March 31, 2023, our trade receivables turnover days were 86 days, 94 days, 134 days and 209 days, respectively. Our trade receivables turnover days increased from 86 days in 2020 to 94 days in 2021, as we granted longer credit terms to certain customers. Our trade receivables turnover days further increased to 134 days in 2022 primarily because (i) the balance of our trade receivables increased along with our revenue growth, (ii) our credit terms granted to customers generally increased as we expanded into new verticals and have more variety in our user cases, and (iii) to a lesser extent, we tend to accommodate customers' need for flexible payment schedule in light of the recurrence of COVID-19 in late 2022. Our trade receivables turnover days increased from 134 days in 2022 to 209 days in the three months ended March 31, 2023 primarily because we typically enhance our receivable collection efforts towards year end, thus the trade receivables we recorded in early 2023 were relatively high.

In 2020, 2021, 2022 and the three months ended March 31, 2023, the turnover days of the aggregated trade receivables and contract assets were 86 days, 95 days, 138 days and 215 days, respectively.

The following table sets for the ageing analysis of our trade receivables based on invoice date as of the dates indicated.

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Up to 3 months	126,601	403,264	957,044	552,954
3 to 6 months	87,412	231,336	278,486	562,433
6 months to 1 year	24,432	128,141	130,321	238,327
Over 1 year	29,564	35,741	188,569	199,604
Less: Credit loss allowance	(5,310)	(20,161)	(61,182)	(59,366)
Trade receivable, Net	262,699	778,321	1,493,238	1,493,952

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Our trade receivables aged three to six months increased from RMB87.4 million as of December 31, 2020 to RMB231.3 million as of December 31, 2021, and our trade receivables aged six months to one year increased from RMB24.4 million to RMB128.1 million as of the same dates, primarily due to the increase of our revenue, and to a lesser extent, due to the longer credit terms we granted to certain customers. Our trade receivables aged over one year increased from RMB35.7 million as of December 31, 2021 to RMB188.6 million as of December 31, 2022, primarily because (i) the balance of our trade receivables increased along with our revenue growth, (ii) our credit terms granted to customers generally increased as we expanded into new verticals and have more variety in our user cases, and (iii) to a lesser extent, we tend to accommodate customers' need for flexible payment schedule in light of the recurrence of COVID-19 in late 2022, while most of the collection efforts were more focused towards the year end in prior years. Our trade receivables aged three to six months increased from RMB278.5 million as of December 31, 2022 to RMB562.4 million as of March 31, 2023, and our trade receivables aged six months to one year increased from RMB130.3 million to RMB238.3 million as of the same dates, primarily because (i) the balance of trade receivables grew along with our revenue, and (ii) we usually enhance our receivable collection efforts towards the year end and thus record relatively high level of trade receivables in early 2023. We recorded credit loss allowance of RMB5.3 million, RMB20.2 million, RMB61.2 million and RMB59.4 million as of December 31, 2020, 2021, 2022 and March 31, 2023, accounting for approximately 2%, 3%, 4% and 4% of our trade receivables as at the same dates, respectively, primarily due to our revenue growth. As of July 31, 2023, RMB753.1 million, accounting for approximately 50.4% of the RMB1,494.0 million outstanding trade receivables as of March 31, 2023, had been subsequently settled. As of July 31, 2023, RMB120.0 million, accounting for approximately 31.1% of the RMB385.5 million outstanding trade receivables from non-top five customers that had aged more than 180 days as of March 31, 2023, had been subsequently settled. As of July 31, 2023, RMB40.2 million, accounting for approximately 20.2% of the RMB199.6 million outstanding trade receivables aged over one year as of March 31, 2023 had been subsequently settled.

We do not anticipate to have any material recoverability issue with trade receivables primarily because (i) we assess our customers' credit quality carefully and regularly, taking into account their business background, the general risks associated with their industries, their financial position, past experience and other factors; (ii) our trade receivables are mainly due from a selected group of customers with good credit profiles and no history of material defaults on their payment obligations in the past; (iii) our long-aging trade receivables as at December 31, 2022 and as at March 31, 2023 were primarily due from reputable state-owned enterprises and listed companies with good credit records; (iv) our trade receivable turnover days in 2020, 2021 and 2022 were 86 days, 94 days and 134 days, respectively, which were all well within the normal credit terms of 3 to 6 months that we granted to customers; (v) we have not experienced any material recoverability issues for our trade receivables throughout the Track Record Period; (vi) we have dedicated internal teams which are responsible for close and regular monitoring of the credit profiles, operating and financial conditions of our customers and taking appropriate proactive follow-up actions to ensure the customers' payments are made as scheduled; (vii) we also closely monitor the recoverability status of trade receivables, especially for those long-aging trade receivables, and enhance our collection efforts as appropriate; (viii) as discussed above, the increase of our trade receivables aged over one year from RMB35.7 million as of December 31, 2021 to RMB188.6 million as of December 31, 2022 was primarily due to our business expansion and the temporary impact of COVID-19, which do not indicate any systematic recoverability issues; and (ix) the subsequent settlement for trade receivables as of March 31, 2023 indicates significant improvement of recoverability, in that (a) as of July 31, 2023, RMB753.1 million, or approximately 50.4% of the RMB1,494.0 million outstanding trade receivables as of March 31, 2023 had been subsequently settled; (b)

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as of July 31, 2023, RMB120.0 million, or approximately 31.1% of the RMB385.5 million outstanding trade receivables from non-top five customers that had aged more than 180 days as of March 31, 2023 had been subsequently settled; and (c) as of July 31, 2023, RMB40.2 million, or approximately 20.2% of the outstanding trade receivables aged over one year as of March 31, 2023 had been subsequently settled. Additionally, we believe adequate credit loss allowances have been made to appropriately reflect the recoverability issues identified, as (i) we made credit loss allowances primarily based on the results of our comprehensive impairment assessment as performed on each reporting date (which takes into account the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables), and (ii) we made credit loss allowances individually once any recoverability issues with particular customers were identified.

The Reporting Accountant has performed its work on the financial information included in the Accountant’s Report in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on pages I-1 to I-3 of Appendix I to this Prospectus.

Prepayments and Other Receivables

The following table sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	March 31, 2023
	<i>(RMB in thousands)</i>			
Prepayments to suppliers	130,061	100,861	176,516	197,857
Deductible value-added input tax	18,739	46,631	80,001	103,664
Rental, bidding and other deposits	9,034	16,454	17,491	16,926
Interest receivables	7,027	2,722	61	3
Listing expenses to be capitalized	–	45,681	48,967	13,384
Other receivable from a third party customer	–	50,959	47,000	47,000
Others	5,119	8,694	10,028	9,912
Total	169,980	272,002	380,064	388,746

Our prepayments and other receivables consist primarily of (i) prepayments to suppliers, (ii) deductible value-added input tax, (iii) rental, bidding and other deposits, (iv) interest receivables, (v) listing expenses to be capitalized, (vi) other receivable from a third party customer, and (vii) others.

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As of December 31, 2019, we had a loan to a third party that primarily engages in business of IT technology services and system integration, and is a customer of ours. The loan was repaid in full in 2020. During the Track Record Period and up to the Latest Practicable Date, other than as disclosed above and to the best of our knowledge, none of us, our Directors, Supervisors, senior management, or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) and any of their respective associates had any interest in, or any other past or present relationships (business, employment, family, trust, financing or otherwise) with such third party or its ultimate beneficial owner. Before granting the loan, we conducted comprehensive due diligence on such third party, such as its business background, financial condition, operating history, and payment history in our business cooperation. Based on the due diligence work, we believe such third party is creditable considering that, at the time of granting the loan, it had obtained various licenses and certifications requisite for its business operations, approximately ten years operating history, sufficient revenue and asset to recover the loan, and a registered capital of RMB20 million, and we did not experience any material defaults on its payment obligations as a customer. Therefore, we believe that the risk of default was relatively low. In addition, having considered that the term of the loan is relatively short, and to increase the yield of our cash on hand as we closed our Series C Financing before granting the loan, we provided the loan to such third party which will be used for general corporate and business expansion purposes pursuant to the relevant loan agreement. Negotiations of the terms of the loan and sales to this company were conducted separately, and the loan and sales were neither connected nor conditional upon each other. Our Directors confirmed our negotiations with such company were on an arm's length basis. The loan was a one-year term loan with an interest rate at 3.86% per annum with no collaterals. As of the Latest Practicable Date, the borrower has paid up the principal and the interest of the loan. Our PRC Legal Advisor advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisor further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "Judicial Interpretations on Private Lending Cases") which came into effect on September 1, 2015 and was amended on December 29, 2020. According to Article 11 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of laws and regulations. On this basis, our PRC Legal Advisor is of the view that the relevant loan agreements were legally binding. As at the Latest Practicable Date, we had not received any notice of claim or was subject to any investigation or penalty relating to the loans with the third party; and the loan had been fully settled. On this basis, our PRC Legal Advisor is of the view that the risk of us being penalized for the above mentioned loan pursuant to the General Lending Provisions by the relevant regulatory authorities is remote.

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Our prepayments and other receivables increased from RMB170.0 million as of December 31, 2020 to RMB272.0 million as of December 31, 2021, primarily because (i) we recorded RMB51.0 million in other receivable from a third party customer in 2021, primarily due to our procurement of hardware to facilitate delivery of Sage Platform and applications to an end user (see Note 22(a) to the Accountant’s Report in Appendix I to this Prospectus), and (ii) we recorded RMB45.7 million in listing expenses in 2021.

Our prepayments and other receivables increased from RMB272.0 million as of December 31, 2021 to RMB380.1 million as of December 31, 2022, primarily because our prepayments to suppliers increased from RMB100.9 million to RMB176.5 million as of the same dates, mainly driven by our business growth.

Our prepayments and other receivables increased from RMB380.1 million as of December 31, 2022 to RMB388.7 million as of March 31, 2023, primarily because our prepayments to suppliers increased from RMB176.5 million to RMB197.9 million as of the same dates, mainly driven by our business growth. As of July 31, 2023, RMB234.5 million, accounting for approximately 60.3% of the RMB388.7 million outstanding prepayments and other receivables as of March 31, 2023 had been subsequently settled.

Cash and Cash Equivalents

Our cash and cash equivalents were RMB1,052.1 million, RMB1,292.7 million, RMB1,326.8 million and RMB1,425.3 million, respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023. Our cash and cash equivalents overall remained relatively stable during the Track Record Period. See “Liquidity and Capital Resources.”

Liabilities

Redemption Liabilities

Our redemption liabilities primarily relate to our obligation to repurchase our own equity instruments in connection with the redemption rights and liquidation preferences granted to the investors in certain situations. Since the date of our inception to March 31, 2023, we have completed several rounds of financing including Series A, Series A-1, Series A-2, Series B-1, Series B-2, Series C, Series C-1, Series C-2, Series D and Series D+, in the way of capital increase of the Company and capital transfer from founders to investors. The key terms of the preferred rights granted to these investors may include: (i) redemption right, a right to require the Company to redeem their investments under circumstances such as failure to achieve a Qualified Initial Public Offering (“Qualified IPO”) by the third anniversary of the initial closing date of Series D, (ii) liquidation preferences, which means in the defined liquidation events, the distributable liquidation property (after satisfaction of all creditors’ claims and other preferred claims) shall be distributed in the amount equal to the higher of (a) 100% of the original investment principal, plus the accumulated dividends or declared but undistributed dividends (and retained earnings) on the equity held; or (b) the distributable liquidation property can be distributed according to the equity proportion at that time, and in the priority

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order of Series D+/Series D, Series C-2, Series C-1, Series C, Series B, Series A-2, Series A-1 to Series A, and (iii) anti-dilution right, pursuant to which if the Company increases its registered capital at a price lower than the price paid by the anti-dilution right holders, the subscription price per unit invested by these holders in the Company will be adjusted. The redemption rights and liquidation preferences granted to the investors constitute as the Company's obligations to repurchase its own equity instruments. These obligations were recognized as redemption liabilities which are initially measured at fair value (representing the present value of the expected cash flows for settling the related obligations if these rights are exercised by the investors) and subsequently measured at amortized cost. Our redemption liabilities were RMB2,147.0 million, RMB5,822.2 million, RMB6,493.2 million, RMB6,683.9 million and RMB6,797.3 million, respectively, as of December 31, 2020, 2021, 2022, March 31, 2023 and July 31, 2023. The significant increase of redemption rights from that as of December 31, 2020 to that as of December 31, 2022 was primarily in connection with our equity financing activities. We expect to turn our net liabilities position into net assets upon Listing, as the carrying amount of redemption liabilities will be reclassified from financial liabilities to equity as a result of the termination of the aforesaid preferred rights.

The following table sets forth the carrying amounts of our redemption liabilities.

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Redemption liabilities					<i>(unaudited)</i>
– Non-current	2,147,031	5,822,196	6,493,159	–	3,022,400
– Current	–	–	–	6,683,937	3,774,915
Total	<u>2,147,031</u>	<u>5,822,196</u>	<u>6,493,159</u>	<u>6,683,937</u>	<u>6,797,315</u>

Other Non-Current Liabilities

Our other non-current liabilities consist primarily of (i) deferred government grants, (ii) advance from investors, and (iii) payable for acquisition of subsidiaries. We had other non-current liabilities of RMB772.1 million, RMB66.5 million, RMB53.7 million and RMB54.9 million, respectively, as of December 31, 2020, 2021, 2022 and March 31, 2023. The decrease of our other non-current liabilities from December 31, 2020 to December 31, 2021 was primarily attributable to the decrease in advance from investors from RMB771.7 million as of December 31, 2020 to nil as of December 31, 2021. This decrease in advance from investors was primarily due to the settlement of the amount of advance from our investors upon closing of our Series D financing.

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Other Payables and Accruals

Our other payables and accruals primarily related to our employee benefits during the Track Record Period, primarily consisting of payroll payables, taxes payables and accrued expenses and others. The following table sets forth our other payables, accruals and other liabilities as of the dates indicated.

	As of December 31,			As at March 31,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Payroll payables	50,763	75,301	118,223	83,295
Listing expenses payable	–	17,313	28,274	25,884
Other taxes payables	19,498	39,718	37,997	23,761
Expense reimbursement	921	6,178	6,998	2,471
Payable to a third party hardware supplier	–	31,000	32,300	32,300
Accrual expenses and others	2,184	14,353	2,369	1,423
	73,366	183,863	226,161	169,134

Other payables and accruals were RMB73.4 million, RMB183.9 million, RMB226.2 million and RMB169.1 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. The significant increase of our other payables and accruals from December 31, 2020 to December 31, 2021 was primarily because (i) we recorded RMB31.0 million in payable to a third party hardware supplier, primarily due to our procurement of hardware to facilitate delivery of Sage Platform and applications, and (ii) our payroll payables increased from RMB50.8 million as of December 31, 2020 to RMB75.3 million as of December 31, 2021, due to the increase of our employees headcounts in line with our business growth. In 2021, we cooperated with a hardware supplier to deliver software and hardware together to a customer, and we acted as an agent for purchasing certain hardware on behalf of the customer while we acted as a principal in delivering the software to the customer pursuant to the sales agreement with the customer. For details, see Note 22(a) to the Accountant's Report in Appendix I to this Prospectus. Such transaction was a one-time arrangement pursuant to the request of such customer. The decrease of our other payables and accruals from RMB226.2 million as of December 31, 2022 to RMB169.1 million as of March 31, 2023 was primarily because of the decrease of payroll payables from RMB118.2 million to RMB83.3 million as of the same dates, mainly due to our payment of annual bonus to employees.

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Trade Payables

Our trade payables primarily include payables for inventories and outsourcing service fees. During the Track Record Period, driven by the rapid growth in the volume of transactions enabled by our solutions, our trade payables has generally continued to increase, from RMB85.0 million as of December 31, 2020 to RMB321.4 million as of December 31, 2021, and further to RMB863.2 million in 2022 . The significant increase of our trade payables from that as of December 31, 2020 to that as of December 31, 2022 was primarily due to the increase of our procurement amount, driven by our business growth. Our trade payables slightly decreased from RMB863.2 million as of December 31, 2022 to RMB619.5 million as of March 31, 2023.

The following table sets forth our trade payables turnover days for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2020	2021	2022	2023
Trade payables turnover days ⁽¹⁾	36	70	135	184

Note:

- (1) Trade payables turnover days is calculated using the average of the opening and closing trade payables balance divided by cost of sales for the relevant period and multiplied by the number of days during such period.

In 2020, 2021, 2022 and the three months ended March 31, 2023 our trade payables turnover days were 36 days, 70 days, 135 days and 184 days, respectively. Our trade payables turnover days increased throughout the Track Record Period primarily because we built trust with our suppliers and gained more bargaining power as our business developed, and thus we were able to negotiate for longer settlement terms in the transactions in connection with our solutions.

As of July 31, 2023, RMB359.3 million, accounting for approximately 58.0% of the RMB619.5 million trade payables as of March 31, 2023, had been subsequently settled.

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Contract Liabilities

Contract liabilities primarily arise from the advance payments made by our customers while the underlying services are yet to be provided. We had contract liabilities of RMB77.1 million, RMB173.9 million, RMB325.7 million and RMB342.6 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. The substantial increase in contract liabilities during the Track Record Period was due to our general business growth and increased orders from customers, including contracts with prepayments.

As of July 31, 2023, RMB211.3 million, accounting for approximately 61.7% of the RMB342.6 million outstanding contract liabilities as of March 31, 2023, had been subsequently recognized as revenue. Due to the generally short-term duration of the relevant contracts, a majority of the contact liabilities are recognized in the following year.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. We recorded non-current lease liabilities of RMB17.6 million, RMB11.0 million, RMB43.7 million, RMB38.4 million and RMB30.0 million, respectively, as of December 31, 2020, 2021, 2022, March 31, 2023 and July 31, 2023. We recorded current lease liabilities of RMB21.2 million, RMB24.4 million, RMB28.3 million, RMB27.9 million and RMB27.4 million, respectively, as of December 31, 2020, 2021, 2022, March 31, 2023 and July 31, 2023. During the Track Record Period, we have obtained the right to use certain office buildings through lease agreements with terms typically running for an initial period of one to three years.

KEY FINANCIAL RATIO

We believe that our revenue growth, gross profit margin and contribution margin are important measures of our operation efficiency over time. Revenue growth rate shows the period-over-period growth rate of our total revenue, and gross profit margin equals revenue less cost of sales divided by revenue. Contribution margin is defined as a percentage of contribution bearing to revenue. Contribution is defined as revenue less the cost of sales and selling and marketing expenses. The following table sets forth a summary of our key financial ratios for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	%	%	%	%	%
Revenue growth	105.0	114.2	52.7	N/A	33.6
Gross profit margin	45.6	47.2	48.2	48.7	43.7
Contribution margin	19.3	24.7	34.9	32.0	30.8

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As a result of our continuous business expansion, our revenue growth rate was 105.0%, 114.2%, 52.7% and 33.6% in 2020, 2021, 2022 and in the three months ended March 31, 2023 compared to the corresponding period in 2022, respectively. Our overall gross profit margin increased from 45.6% in 2020 to 47.2% in 2021, primarily due to the increase of revenue contribution of application development and other services, which had relatively high gross profit margins, mainly as a result of recovery from the negative impact of COVID-19, and further to 48.2% in 2022 mainly as a result of the increase of revenue contribution of software licensing, which had relatively high gross profit margins, as software licensing requires less on-site services than our other segments, and thus was less affected by the recurrence of COVID-19 in 2022. Our overall gross profit margin decreased from 48.7% in the three months ended March 31, 2022 to 43.7% in the three months ended March 31, 2023, primarily due to the increase of revenue contribution of SageOne, which had relatively low gross profit margins. Our contribution margin increased from 19.3% in 2020 to 24.7% in 2021 and 34.9% in 2022. Our contribution margin decreased slightly from 32.0% for the three months ended March 31, 2022 to 30.8% for the three months ended March 31, 2023, primarily due to the increase of revenue contribution of SageOne and application development and other services, which had higher cost of sales compared with software licensing. Our contribution margin generally increased over the Track Record Period primarily because we improved our efficiency in overall costs and selling and marketing.

LIQUIDITY AND CAPITAL RESOURCES

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

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The following table sets forth a summary of our cash flows for the years/periods indicated.

	Year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Cash used in operating activities					
Operating cash flows before					
movements in working capital	(365,959)	(576,136)	(516,157)	(121,160)	(107,265)
Changes in working capital	(87,879)	(202,298)	(285,517)	(50,470)	(359,020)
Cash used in operations	(453,838)	(778,434)	(801,674)	(171,630)	(466,285)
Interest received	898	11,113	27,122	5,523	6,578
Income tax paid	–	(2,687)	(5,037)	(3,307)	(1,504)
Net cash used in operating activities	(452,940)	(770,008)	(779,589)	(169,414)	(461,211)
Net cash (used in)/generated from investing activities	(139,083)	(3,199,611)	822,387	(140,776)	623,973
Net cash generated from/(used in) financing activities	942,428	4,210,015	(9,014)	(21,210)	(64,130)
Net increase/(decrease) in cash and cash equivalents	350,405	240,396	33,784	(331,400)	98,632
Cash and cash equivalents at the beginning of the year/period	703,786	1,052,073	1,292,686	1,292,686	1,326,818
Effects of exchange rate changes on cash and cash equivalents	(2,118)	217	348	(33)	(162)
Cash and cash equivalents at the end of the year/period	1,052,073	1,292,686	1,326,818	961,253	1,425,288

Net Cash Used in Operating Activities

In the three months ended March 31, 2023, our net cash used in operating activities was RMB461.2 million. The difference between our net cash generated from operating activities and our loss before taxation primarily result from interest expenses of RMB194.4 million and partially offset by (i) decrease in trade payables of RMB243.7 million and (ii) increase in inventories of RMB58.5 million.

In 2022, our net cash used in operating activities was RMB779.6 million. The difference between our net cash generated from operating activities and our loss before taxation primarily resulted from (i) share-based payment expenses of RMB433.4 million, (ii) interest expenses of RMB681.9 million, and (iii) an increase in trade payables of RMB523.0 million partially offset by (i) an increase in trade receivables of RMB715.9 million and (ii) an increase in inventories of RMB135.2 million.

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In 2021, our net cash used in operating activities was RMB770.0 million. The difference between our net cash generated from operating activities and our loss before taxation primarily resulted from (i) share-based payment expenses of RMB603.6 million, (ii) interest expenses of RMB646.8 million and (iii) increase in trade payables of RMB217.2 million, partially offset by increase in trade receivables of RMB420.1 million.

In 2020, our net cash used in operating activities was RMB452.9 million. The difference between our net cash generated from operating activities and our loss before taxation primarily resulted from (i) interest expenses of RMB188.7 million, (ii) share-based payment expenses of RMB173.7 million, (iii) increase in trade payables of RMB69.7 million and (iv) increase in contract liabilities of RMB56.3 million, partially offset by (i) increase in trade receivables of RMB85.5 million, (ii) increase in prepayments and other receivables of RMB80.6 million, (iii) decrease in other payables and accruals of RMB23.8 million and (iv) fair value changes on financial assets at fair value through profit or loss of RMB18.4 million.

Our ability to improve our net operating cash flow is largely depending on our ability to improve profitability. In this regard, we plan to improve our net operating cash outflow positions by (i) effectively attracting and retaining our users to drive our revenue growth and profitability, (ii) continuing to create value for users to explore additional monetization opportunities that help us scale up our revenues and to achieve profitability, and (iii) effectively managing our cost and expenses by improving our operational efficiency. For details of our plan to improve our financial performance, see “Business – Business Sustainability and Path to Profitability.” With our improving profitability, we also expect our operating cash flow to improve concurrently. Moreover, we plan to enhance our working capital management efficiency to improve our net operating cash outflow positions. We plan to enhance our management of trade receivables by continually monitoring the credit profiles and operating and financial conditions of our customers and proactively following up on our customers to ensure their payments as scheduled. We plan to increase the focus on trade receivable collection when evaluating the performance of our sales team. In addition, as we built trust with our customers and gained more bargaining power as our business developed, we are able to negotiate for shorter credit terms with our customers. We also expect to be able to enjoy economics of scale as we scale up, which will further improve our net operating cash outflow positions. Specifically, as we scale up, we expect to have stronger bargaining power against our suppliers and are thus able to obtain more favorable credit terms. That being said, as our future profitability is subject to various factors, **we may continue to incur net losses and net operating cash outflow in the near future, including the year ending December 31, 2023.**

Net Cash (Used in)/Generated from Investing Activities

In the three months ended March 31, 2023, our net cash generated from investing activities was RMB624.0 million, consisting primarily of proceeds from disposal of short-term investments measured at fair value through profit or loss of RMB873.7 million, partially offset by (i) purchase of short-term investments measured at fair value through profit or loss of RMB150.0 million, (ii) placement of term bank deposits of RMB100.0 million.

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In 2022, our net cash generated from investing activities was RMB822.4 million, consisting primarily of (i) proceeds from disposal of short-term investments measured at fair value through profit or loss of RMB3,955.8 million, (ii) withdrawal of term bank deposits of RMB130.0 million, and (iii) investment income received of RMB71.8 million, partially offset by (i) purchase of short-term investments measured at fair value through profit or loss of RMB2,763.5 million, (ii) placement of term bank deposits of RMB270.0 million, and (iii) purchase of long-term investments measured at fair value through profit or loss of RMB166.7 million.

In 2021, our net cash used in investing activities was RMB3,199.6 million, consisting primarily of (i) purchase of short-term investments measured at fair value through profit or loss of RMB7,650.8 million, (ii) placement of term bank deposits of RMB520.0 million and (iii) acquisition net of cash acquired of RMB254.7 million, partially offset by (i) disposal of short-term investments measured at fair value through profit or loss of RMB5,321.5 million and (ii) withdrawal of short-term bank deposits of RMB95.6 million.

In 2020, our net cash used in investing activities was RMB139.1 million, primarily attributable to (i) purchase of short-term investments measured at fair value through profit or loss of RMB2,656.2 million, (ii) placement of short-term bank deposits of RMB95.6 million and (iii) purchase of property and equipment and intangible assets of RMB51.3 million, partially offset by (i) repayment of loan by a third party of RMB135.0 million and (ii) disposal of short-term investments measured at fair value through profit or loss of RMB2,553.7 million.

Net Cash Generated from/(Used in) Financing Activities

In the three months ended March 31, 2023, our net cash used in financing activities was RMB64.1 million, primarily attributable to (i) payments of shares repurchase of RMB259.0 million, (ii) payment of lease liabilities of RMB9.2 million, partially offset by proceeds from borrowings of RMB18.4 million and (iii) proceeds injected by shareholders of RMB194.7 million.

In 2022, our net cash used in financing activities was RMB9.0 million, primarily attributable to (i) payment of lease liabilities of RMB28.4 million, and (ii) payment of listing expenses to be capitalized of RMB22.2 million, partially offset by proceeds from borrowings of RMB50.6 million.

In 2021, our net cash generated from financing activities was RMB4,210.0 million, primarily attributable to proceeds injected by founders and investors of RMB4,283.5 million.

In 2020, our net cash generated from financing activities was RMB942.4 million, primarily attributable to proceeds injected by founders and investors of RMB969.3 million.

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Working Capital

Taking into account (i) the financial resources available to us, including a total of RMB2,990 million liquid cash resources as of March 31, 2023 (that include cash and cash equivalents, short-term and long-term bank deposits, short-term investments measured at fair value through profit or loss, restricted cash), (ii) the portion of the estimated net proceeds from the Global Offering expected to be used for working capital and general corporate purposes, (iii) our good track record in being able to raise money from renowned investors to finance our business, as evidenced by our historical fund-raising activities, and (iv) our plans to continue to enhance our financial performance, for details of which see “Business – Business Sustainability and Path to Profitability”, our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Prospectus.

CAPITAL EXPENDITURES

Our principal capital expenditures relate primarily to (i) property and equipment, including leasehold improvements, computer and electric equipment, and office furniture and equipment, and (ii) intangible assets, primarily including software and copyrights and intangible assets recognized as a result of our acquisition of subsidiaries.

The following table sets forth our capital expenditures for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Property and equipment	29,036	15,474	15,544	4,149	1,538
Intangible assets	22,239	401,345	98,389	35	165
Total	51,275	416,819	113,933	4,184	1,703

We expect to finance our capital expenditures through cash generated from operations, our existing bank borrowings and the net proceeds from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, our results of operations and financial condition, our business plans, market conditions and various other factors. See also “Future Plans and Use of Proceeds – Use of Proceeds.”

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INDEBTEDNESS

During the Track Record Period, our indebtedness mainly consisted of borrowings, lease liabilities and redemption liabilities. The following table sets forth details of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current					
Borrowings	–	3,752	48,554	61,099	56,786
Lease liabilities	21,185	24,364	28,311	27,912	27,434
Redemption liabilities	–	–	–	6,683,937	3,774,915
Non-current					
Borrowings	–	15,000	24,000	23,500	23,500
Lease liabilities	17,590	11,000	43,721	38,431	29,986
Redemption liabilities	2,147,031	5,822,196	6,493,159	–	3,022,400
Total	<u>2,185,806</u>	<u>5,876,312</u>	<u>6,637,745</u>	<u>6,834,879</u>	<u>6,935,021</u>

Borrowings

As of December 31, 2020, we did not have any bank borrowings or unutilized banking facilities. The following table sets forth our interest-bearing borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Included in current liabilities					
Secured					
borrowings	–	–	11,000	13,800	14,800
Factoring					
borrowings	–	3,752	5,894	5,639	4,284
Unsecured					
borrowings	–	–	31,660	41,660	37,702
Total	<u>–</u>	<u>3,752</u>	<u>48,554</u>	<u>61,099</u>	<u>56,786</u>

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	As of December 31,			As of March 31,	As of July 31,
	2020	2021	2022	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Included in non-current liabilities					
Secured					
borrowings	–	–	9,000	8,500	8,500
Unsecured					
borrowings	–	15,000	15,000	15,000	15,000
Total	<u>–</u>	<u>15,000</u>	<u>24,000</u>	<u>23,500</u>	<u>23,500</u>

Our current secured borrowings as of December 31, 2022 consist of (i) RMB1.0 million bank borrowings by one of our subsidiaries, Guangzhou Jianxin, with fixed interest rate of 3.85% per annum and repayable by December 2023; (ii) RMB9.0 million borrowings by one of our subsidiaries, EpicHust, with fixed interest rates ranging from 4.30%-5.00% per annum and repayable by April or June 2023; and (iii) RMB1.0 million of RMB10.0 million 3-year bank borrowings by Guangzhou Jianxin, with interest rate per annum being the sum of 1-year Loan Prime Rate and 0.8%, 5% among which should be repaid every half year and the remaining principal should be repaid by September 2025 (“Jianxin Loan”). The borrowings are guaranteed by us and secured by the pledge over Guangzhou Jianxin’s patent rights. See Note 30(a) to the Accountant’s Report in Appendix I to this Prospectus. Our current secured borrowings increased from RMB11.0 million as of December 31, 2022 to RMB13.8 million as of March 31, 2023 because Guangzhou Jianxin had additional interest-bearing bank borrowings of RMB2.8 million, which are repayable by October 2023. The borrowings are guaranteed by us and secured by the pledge over Guangzhou Jianxin’s patent rights. Our current secured borrowings increased from RMB13.8 million as of March 31, 2023 to RMB14.8 million as of July 31, 2023 due to the increased amount of borrowings by EpicHust.

Our current unsecured borrowings as of December 31, 2022 consist of (i) RMB25.7 million bank borrowings by Guangzhou Jianxin, with fixed interest rates ranging from 4.50%-4.85% per annum, which are guaranteed by the Company and are repayable by May or June 2023, and (ii) RMB6.0 million bank borrowings by EpicHust, with fixed interest rates ranging from 4.00%-4.20% per annum, which are unsecured and repayable by November or December 2023. Our current unsecured borrowings increased from RMB31.7 million as of December 31, 2022 to RMB41.7 million as of March 31, 2023 because EpicHust had additional interest bearing bank borrowings of RMB10.0 million, which are repayable by January 2024. Our current unsecured borrowings decreased from RMB41.7 million as of March 31, 2023 to RMB37.7 million as of July 31, 2023 primarily due to the decreased amount of borrowings by Guangzhou Jianxin.

Our non-current secured borrowings as of December 31, 2022 and as of March 31, 2023 consist of a portion of Jianxin Loan, which is repayable by September 2025.

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Our non-current unsecured borrowings primarily consist of RMB15.0 million borrowed by Guangzhou Jianxin, from its non-controlling shareholder, which is unsecured, interest-free and repayable on demand after June 30, 2024.

For details, see Note 30 to the Accountant’s Report in Appendix I to this Prospectus.

As of the Latest Practicable Date, we had RMB1.2 billion of unutilized banking facilities.

Lease Liabilities

For details of our lease liabilities, see “– Liabilities – Lease Liabilities.”

Redemption Liabilities

For details of our redemption liabilities, see “– Liabilities – Redemption Liabilities.”

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2020, 2021, 2022, March 31, 2023 and July 31, 2023.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

Save as otherwise disclosed under sections headed “– Indebtedness” and “– Contractual Obligations,” we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of July 31, 2023, being the latest practicable date for our indebtedness statement. Our Directors confirm that, as of the Latest Practicable Date, there had been no material change in our indebtedness since July 31, 2023.

FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments are related to our equity investment. Our capital expenditure contracted for but not yet incurred as of December 31, 2020, 2021, 2022 and March 31, 2023 was RMB35.0 million, RMB20.0 million, nil and RMB4.0 million, respectively. We expect to satisfy our capital commitments using cash from operations, net proceeds to be received from the Global Offering and bank borrowings available to us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

RELATED PARTY TRANSACTIONS AND BALANCES

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 36 to the Accountant's Report included in Appendix I to this Prospectus was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance. Our balances with related parties as of March 31, 2023 as set out in Note 36 to the Accountant's Report in Appendix I to this Prospectus are all trade in nature.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market risks, including foreign currency risk, interest rate risk and price risk, as well as credit risks and liquidity risks, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market Risk

(i) Foreign exchange risk

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

FINANCIAL INFORMATION

(ii) Interest rate risk

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

(iii) Price risk

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

Credit Risks

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. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed by taking into account their financial position, past experience and other factors.

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

FINANCIAL INFORMATION

Liquidity Risks

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet our liquidity requirements.

DIVIDEND

No dividends have been paid or declared by us or our subsidiaries during each of the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2022 and 2023.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. As of the Latest Practicable Date, we did not have a formal dividend policy. The Board has approved a dividend policy, which will become effective upon Listing. Under the dividend policy, we may provide our Shareholders with interim or annual dividends as the Board deems appropriate. The Board will consider, among other things, the following factors when proposing dividends and determining the amount of dividends:

- our actual and projected financial performance;
- our estimated working capital requirements, capital expenditure requirements and future business expansion plan;
- our present and future cash flow;
- other internal and external factors that may have an impact on our business operations or financial performance and position; and
- other factors that our Board deem relevant.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of our Shareholders.

PRC laws require that dividends be paid only out of our distributable profits, for which the PRC laws do not specify the applicable accounting principles. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. We do not expect such difference between distributable profits calculated under PRC GAAP and IFRS, or other differences between PRC GAAP and IFRS to have a material impact on our financial performance. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if we become profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our PRC Legal Advisor is of the view that after making up losses and appropriation of statutory reserves, we may distribute after-tax profits. Our dividend

FINANCIAL INFORMATION

distribution may also be restricted if we incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of March 31, 2023, we did not have any distributable reserves.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the midpoint of the Offer Price Range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK\$189.0 million, an equivalent to approximately RMB174.0 million, accounting for 17.6% of our gross proceeds. These listing expenses comprise of (i) HK\$35.5 million of underwriting-related expenses (including but not limited to commissions and fees); and (ii) HK\$153.5 million of non-underwriting-related expenses, including HK\$134.6 million of fees and expenses of legal advisors and accountants and HK\$18.9 million of other fees and expenses.

As of March 31, 2023, we had incurred RMB106.8 million of listing expenses for the Global Offering, among which RMB93.4 million was charged to our consolidated statement of comprehensive income. We estimate that an additional listing expenses of RMB67.2 million assuming the Over-allotment Option is not exercised will be further incurred by our Group. In aggregate, we expect to incur RMB174.0 million for the Global Offering, among which RMB129.3 million is expected to be charged to our consolidated statement of comprehensive income and RMB44.7 million is directly attributable to the issue of Shares and expected to be charged against equity upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on March 31, 2023 and based on the consolidated net tangible liabilities attributable to the owners of the Company as at March 31, 2023 as shown in the Accountant's Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

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The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at March 31, 2023 or at any future dates.

	Audited consolidated net tangible liabilities attributable to the owners of the Company as at March 31, 2023 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact related to the change of terms of shares with preferred rights upon Listing ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽⁴⁾⁽⁵⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer Price of HK\$55.60 per Share	(2,342,475)	862,599	6,683,937	5,204,061	11.21	12.18
Based on an Offer Price of HK\$61.16 per Share	(2,342,475)	953,649	6,683,937	5,295,111	11.41	12.39

Notes:

- (1) The audited consolidated net tangible liabilities attributable to the owners of the Company as at March 31, 2023 is extracted from the Accountant's Report as set out in Appendix I, which is based on the audited consolidated net liabilities attributable to the owners of the Company as at March 31, 2023 of approximately RMB1,931,646,000, with an adjustment for the intangible assets attributable to the owners of the Company as at March 31, 2023 of approximately RMB410,829,000.
- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Prices of HK\$55.60 and HK\$61.16 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately RMB93,377,000 which have been charged to our consolidated statement of comprehensive income up to March 31, 2023), and does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (3) Upon the Listing, all preferred rights entitled to the Company's investors will be terminated and the redemption liabilities recognized due to these preferred rights will be reclassified to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by RMB6,683,937,000, being the carrying amount of the redemption liabilities as at March 31, 2023.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 464,060,533 Shares were in issue, assuming that the Global Offering has been completed on March 31, 2023 but does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.0862. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2023.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since March 31, 2023, the end of the period reported on the Accountant's Report included in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$58.38 per Offer Share (being the midpoint of the stated range of the Offer Price of between HK\$55.60 and HK\$61.16 per Offer Share), we estimate that we will receive net proceeds of approximately HK\$885.0 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering.

We intend to use the net proceeds we expect to receive from the Global Offering for the purposes and in the amounts set out below.

- Approximately 60%, or HK\$531.0 million, will be allocated over the next three years to enhance our fundamental research, technological capabilities and solution development. We plan to further apportion the use of proceeds as follows.
 - Approximately 25%, or HK\$221.2 million, will be used to strengthen our research and development team over the next three years, including:
 - (i) approximately 20%, or HK\$177.0 million for the research and development team of our core technologies. Specifically, we intend to allocate:
 - approximately 11%, or HK\$97.3 million for our AutoML technologies. Advancements in AutoML will lower the barrier for AI application development, help us attract more developers, and expand and upgrade our developer suites, especially the HyperCycle series;
 - approximately 3%, or HK\$26.5 million for our transfer learning technologies, which will further enhance the ability of our solutions to be applied across difference scenarios, thereby reducing the cost of expansion into new use cases and industry vectors;
 - approximately 3%, or HK\$26.5 million for our environment learning technologies, which helps further improve data quality and reduce the cost of model training;
 - approximately 3%, or HK\$26.5 million for our AutoRL technologies, which will further lower the barriers for reinforcement learning by automating the process.

FUTURE PLANS AND USE OF PROCEEDS

For details, see “Business – Our Technology.”

- (ii) approximately 5%, or HK\$44.2 million for the research and development team of new areas which may lead to the next generation of AI technologies. For example, we are dedicated to developing technologies in the area of data privacy protection, including privacy preserving learning, which is able to enhance data privacy in the process of machine learning, and federated learning which entails training algorithm on local datasets without exchange data samples, thereby enhancing data security and privacy. Moreover, to stay abreast of rapid technological developments, we will also develop cutting-edge technologies such as large language models and generative AI to enhance efficiency and productivity. For details, see “Business – Research and Development.”

To achieve the plans above, we plan to (i) recruit scientists, researchers, architects and engineers with experience in AI and software development, and (ii) increase the compensation levels for our present research and development personnel. To maintain our competitive edges and further innovate our solutions and technologies, we plan to hire over 600 additional scientists, researchers, architects and engineers over the next five years. Qualified candidates include both (1) experienced laterals from renowned AI companies or academic institutions, have published relevant papers on international journals, or have extensive experience in commercialization of AI technologies, and (2) outstanding and talented fresh graduates from leading universities. We believe that qualified and experienced talents are crucial to sustain our leadership in the core technologies, including AutoML, transfer learning, environment learning and AutoRL, and the ongoing refinement of our algorithms, platforms and operating systems. According to CIC, there are intense competitions for AI talents in China. To effectively retain our R&D personnel and prevent them from joining our competitors, we intend to gradually increase the compensation levels for our R&D personnel to keep up with any increase in industry levels and maintain the competitiveness of our compensation package. Specifically, we intend to gradually increase their cash salary and offer share-based incentives to motivate them by providing such persons an opportunity share our business growth and future success.

- Approximately 35%, or HK\$309.7 million, will be used to strengthen our research and development capabilities. Specifically:
 - (i) approximately 4%, or HK\$35.4 million for the procurement and installation of equipment, devices and/or software to support our increasing business needs over the next three years. We serve many lighthouse users which use our solutions at an increasing scale to meet their business needs. During our research and development and solution testing process, we need to simulate the way how users apply our solutions. Accordingly, we plan to further invest in improving our technology infrastructure to enhance our computing power and storage

FUTURE PLANS AND USE OF PROCEEDS

capabilities to facilitate our research and development and solution testing processes. Specifically, we plan to procure approximately 3,000-5,000 units of high performance computing servers, and to selectively procure management tool software that can enhance our overall R&D efficiency.

- (ii) approximately 7%, or HK\$61.9 million for the establishment of our new research and development centers. To further enhance our research and development capabilities and to attract local R&D talents, we plan to establish over three new research and development centers primarily in top-tier cities in China in the next three to four years. Under the management of our headquarter, these new research and development centers will work with our headquarter and jointly conduct research and development activities. For details of our research and development focuses, see “Business – Research and Development.”
- (iii) approximately 20%, or HK\$177.0 million for strengthening our relationship with third-party R&D service providers to further expand our R&D capabilities. During the Track Record Period, we have outsourced certain non-core and less sophisticated research and development projects, such as the development of certain applications in our AI application store and miscellaneous product modules, design of user interfaces and product testing projects. Accordingly, we incurred technology service fees of RMB446.3 million, RMB1,336.2 million, RMB2,002.4 million and RMB370.5 million in 2020, 2021 and 2022 and the three months ended March 31, 2023, respectively. We intend to continue to collaborate with such third-party R&D service providers, such that we can continue to focus on our core research and development activities.
- (iv) approximately 4%, or HK\$35.4 million for the cultivation of the OpenMLDB community to enhance the activeness and engagement of all AI developers partnerships. We made OpenMLDB in our Sage AIOS an open source platform to share our achievements in AI operating systems with developers across the world. We intend to further cultivate the OpenMLDB community by (1) establishing a dedicated team to manage the community, communicate with developers, continuously developing new codes for the open community, and refine codes contributed by developers, and (2) organizing various types of community events, such as large-scale developer submits, developer workshops, and other innovative developer activities (e.g. live-stream discussions).

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 20%, or HK\$177.0 million, will be allocated to expand our offerings, build our brand and enter into new industry sectors. As of the Latest Practicable Date, we do not have any concrete plans on the new industry verticals that we will enter into. We plan to select industries with considerable monetization opportunities for us, and will conduct careful evaluation and analysis on the expected market size, competitive landscape and potential challenges before entering into new verticals. We plan to further apportion the use of proceeds as follows.
 - Approximately 12%, or HK\$106.2 million, will be used to recruit and retain talents in various industries to strengthen our sales and marketing team, thereby leveraging their industry-specific sales experiences to expand our user base and to increase our customer loyalty, which in turn may increase customers' spending on our platform. We plan to hire approximately 300 additional sales and marketing staff in the next five years to support our business growth.
 - Approximately 8%, or HK\$70.8 million, will be used to promote our solutions and offerings by engaging in more marketing activities through both offline and online channels. Specifically:
 - (i) approximately 6%, or HK\$53.1 million will be allocated for organizing and sponsoring high impact events over the next three years. We intend to host two large-scale offline conferences annually, one for developers and the other for users. We also plan to organize one or more industry discussions on a weekly basis. Furthermore, we will also sponsor other influential industry conferences to increase our brand exposure.
 - (ii) approximately 2%, or HK\$17.7 million will be allocated for collaborating with online media partners to promote our brand awareness among users and potential users.
- Approximately 10%, or HK\$88.5 million, will be allocated over the next three years to pursue strategic investment and acquisition opportunities to implement our long-term growth strategy to develop our solutions and expand and penetrate the industry verticals we cover. We plan to prudently evaluate and consider a wide array of potential investments in emerging businesses that are complementary to our business in terms of improving our technological capabilities and expanding our user base or that can enrich our ecosystem of business partners. Specifically, relevant considerations including: (i) businesses with technologies that are complementary to our solutions, ranging from cutting-edge technologies to improve our overall technology capabilities, to specialized solutions that would allow us to overall optimize the deployment efficacy and completeness of our solution offerings; (ii) business with proven industry know-how in both the verticals that we have already established strong presence and intend to increase the penetration, and the verticals that we may expand into in the future; and (iii) businesses with

FUTURE PLANS AND USE OF PROCEEDS

established industry leading position, meaningful scale of established user base and track record of maintaining healthy and stable financial positions. As such, we may invest in strategic technology enablers, industry or subsector focused specialized solution providers that would overall complete and enhance our solution and service offering. Leveraging such potential strategic investments and acquisitions, we expect to achieve synergies in terms of optimizing our overall deployment efficacy, optimizing our technology capabilities and solution offerings, expanding our user base, among others. We intend to make aforementioned investments and acquisitions mainly through equity, both controlling or non-controlling, and may consider other forms of investment such debt or that with convertible features if such is better suited for the need of the transaction, evaluated on the case-by-case basis. Our Directors, as advised by CIC, are of the view that there are sufficient number of potential targets as there are many technology focused companies and solution providers that meet our criteria. We expect to select our investment target based on the industry in which the target operates, the target's strength of technology and solutions, the target's business and financial performance and the synergy between the target and us. See "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Assets – Financial Assets at Fair Value through Profit or Loss" for details of our investment approval process. As of the Latest Practicable Date, we did not identify any investment or acquisition target in this regard.

- Approximately 10%, or HK\$88.5 million, will be used for general corporate purposes.

If the Offer Price is fixed at the high-end or low-end of the Offer Price range (assuming the Over-allotment Option is not exercised), the net proceeds will increase or decrease by approximately HK\$49.4 million (after deducting underwriting fees and expenses related to the Global Offering). We intend to apply the additional or reduced net proceeds to the above uses on a pro rata basis.

If the Over-allotment Option is exercised in full, we will receive additional proceeds of approximately HK\$148.3 million, HK\$155.8 million and HK\$163.2 million if the Offer Price is fixed at the high-end, midpoint and low-end of the Offer Price range, respectively. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

If the net proceeds of the Global Offering are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will deposit the net proceeds into short-term demand deposits with licensed commercial banks or other authorized financial institutions as defined under the SFO, as long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
CCB International Capital Limited
CMB International Capital Limited
China Merchants Securities (HK) Co., Limited
Huatai Financial Holdings (Hong Kong) Limited
ICBC International Securities Limited
BOCI Asia Limited
ABCI SECURITIES COMPANY LIMITED
BOCOM International Securities Limited
CEB International Capital Corporation Limited
China Everbright Securities (HK) Limited
Central China International Capital Limited
North Beta International Securities Limited
China Sunrise Securities (International) Limited
Futu Securities International (Hong Kong) Limited
CNCB (Hong Kong) Capital Limited
Orient Securities (Hong Kong) Limited
SPDB International Capital Limited
Fosun International Securities Limited
Tiger Brokers (HK) Global Limited
Valuable Capital Limited
Riche Bright Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 1,839,600 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), and certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between our Company, the Overall Coordinators, (for themselves and on behalf of the Hong Kong Underwriters), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this Prospectus and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in Shares commences on the Hong Kong Stock Exchange:

- (a) there develops, occurs, exists or comes into force:
 - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom or the European Union (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in a change or prospective change, in local, national, regional or international financial, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or
 - (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or
 - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
 - (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction Laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (ix) a Director, a Supervisor or a member of the Group's senior management as named in this Prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (x) the chairman of the Board, the chief executive officer or the chief financial officer, any Director or Supervisor of the Company vacating his or her office; or
- (xi) an authority or a political body or organization in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices) commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or Director; or
- (xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or
- (xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Option Shares) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of the Prospectus, CSRC filings or any other documents used in connection with the contemplated offer and sale of the Offer Shares or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- (xv) the issue or requirement to issue by the Company of any supplement or amendment to the Prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the

UNDERWRITING

Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

- (xvi) any change or development involving a prospective change in, or a materialization of any of the risks set out in the section headed “Risk Factors” of this Prospectus; or
- (xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Sole Sponsor (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it incapable, inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) any of the following shall have come to the notice of any of the Sole Sponsor:
 - (a) that any statement contained in any of the any offering documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the “Offer Related Documents”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, incomplete in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

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- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto) or a material misstatement therein; or
- (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement or any of the cornerstone agreements (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
- (d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or
- (e) any material adverse change as provided in the Hong Kong Underwriting Agreement; or
- (f) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties set out in the Hong Kong Underwriting Agreement; or
- (g) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) the Company withdraws any of the Offer Related Documents or the Global Offering; or
- (i) any person (other than the Sole Sponsor) has withdrawn or is subject to withdrawing its consent to being named in the Prospectus or to the issue of any of the Hong Kong Public Offering related documents; or
- (j) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

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Undertakings pursuant to the Listing Rules and the Hong Kong Underwriting Agreement

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rule, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for the issue of Shares or securities pursuant to the Global Offering (including the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

We have also undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters that, and each of our Controlling Shareholders undertakes to the same parties to procure that, except pursuant to the Global Offering (including the Over-allotment Option) or with the prior written consent of the Sole Sponsor (for themselves and on behalf of the Hong Kong Underwriters), and unless in compliance with the Listing Rules, we shall not, during a period of six months from the Listing Date (the “**First Six-Month Period**”) and whether conditionally or unconditionally:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

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- (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph(i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Each of our Controlling Shareholder undertake to each of the Joint Global Coordinators, the Overall Coordinator, the Hong Kong Underwriters, and the Sole Sponsor to procure the Company to comply with the foregoing undertakings.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders agrees and undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters and the Company that, within the First Six-Month Period and the Second Six-Month Period, without the prior written consent of the Sole Sponsor, the Overall Coordinator (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, he or it will not:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

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- (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above, or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period and the Second Six-Month Period);

Each of our Controlling Shareholder agrees and undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and the Company that, until the expiry of the Second Six-Month Period, in the event that he or it enter into any of the transactions specified in (i), (ii), (iii) or (iv) above or offer to or agree to or announce any intention to effect any such transaction, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of the Company.

Indemnity

Our Company has agreed to indemnify, among others, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Manager, and the Capital Market Intermediaries and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, as the case may be.

Sole Sponsor's Fee

An amount of US\$0.5 million is payable by our Company as sponsor fees to the Sole Sponsor.

Undertakings pursuant to the deed of undertaking between Dr. Dai and certain Pre-IPO Investors

Dr. Dai and certain of our Directors, Supervisors and senior management made non-disposal undertakings in favour of certain of our Pre-IPO Investors. See “History, Development and Corporate Structure – Rights of the Pre-IPO Investors” for details.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the International Underwriters. Under the International

UNDERWRITING

Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option), failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 2,759,400 additional Offer Shares representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Commission and Expenses

The Underwriters and the Capital Market Intermediaries will, in aggregate, receive a fixed underwriting commission of 2.3% of the aggregate Offer Price of all the Offer Shares (under both the Hong Kong Public Offering and the International Offering), including Offer Shares to be issued pursuant to the Over-allotment Option. Our Company may, at our sole and absolute discretion, pay to one or more Underwriters or Capital Market Intermediaries a discretionary incentive fee up to but not exceeding 1.0% of the Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option). Assuming that the discretionary incentive fee will be fully paid, the ratio between the fixed underwriting commission and discretionary incentive fee is approximately 69.7%:30.3%. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$58.38 per Offer Share (being the mid-point of the indicative offer price range of HK\$55.60 to HK\$61.16 per Offer Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, Accounting and Financial Reporting Council transaction levy, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK\$189.4 million in total.

UNDERWRITING

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering (together, referred to as “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering – The International Offering – Over-allotment Option” and “Structure of the Global Offering – The International Offering – Stabilization.” These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Hong Kong Underwriters' Interests in our Company

Save as otherwise disclosed in this Prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Joint Global Coordinators, the Overall Coordinators, the Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators, Overall Coordinators, Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Underwriters

The Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Joint Global Coordinators, Overall Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our Shares.

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Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in “Structure of the Global Offering – The International Offering – Stabilization,” and “Structure of the Global Offering – The International Offering – Over-allotment Option.”

Independence of the Sole Sponsor

The Sole Sponsor satisfied the independence criteria set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 1,839,600 Offer Shares in Hong Kong as described below in the paragraph headed “– The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 16,556,400 Offer Shares outside the United States in reliance on Regulation S under the U.S. Securities Act or other available exemption from the registration requirements of the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Overall Coordinators, as representatives of the International Underwriters, have an option to require us to issue and allot up to 2,759,400 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 4.53% of our Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either

- (1) apply for Offer Shares under the Hong Kong Public Offering; or
- (2) apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 3.96% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 4.53% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in “– The International Offering – Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “– The Hong Kong Public Offering – Reallocation” below.

STRUCTURE OF THE GLOBAL OFFERING

China International Capital Corporation Hong Kong Securities Limited, CCB International Capital Limited, CMB International Capital Limited and China Merchants Securities (HK) Co., Limited are the Overall Coordinators and Joint Global Coordinators of the Global Offering.

China International Capital Corporation Hong Kong Securities Limited, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, ICBC International Securities Limited, BOCI Asia Limited, ABCI CAPITAL LIMITED, BOCOM International Securities Limited, CEB International Capital Corporation Limited, China Everbright Securities (HK) Limited, Central China International Capital Limited, North Beta International Securities Limited, China Sunrise Securities (International) Limited, Futu Securities International (Hong Kong) Limited and CNCB (Hong Kong) Capital Limited are the Joint Bookrunners of the Global Offering.

China International Capital Corporation Hong Kong Securities Limited, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, Orient Securities (Hong Kong) Limited, SPDB International Capital Limited, Fosun International Securities Limited, Tiger Brokers (HK) Global Limited, Valuable Capital Limited and Riche Bright Securities Limited are the Joint Lead Managers of the Global Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 1,839,600 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.00% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.40% of our Company's registered capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “– The International Offering – Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which

STRUCTURE OF THE GLOBAL OFFERING

would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 1,839,600 H Shares initially comprised in the Hong Kong Public Offering (that is 919,800 Hong Kong Offer Shares) will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offer Shares are fully subscribed or over-subscribed and certain prescribed total demand levels are reached. In accordance with paragraph 4.2 of Practice Note 18 of the Listing Rules, if the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 5,518,800 Shares, 7,358,400 Shares and 9,198,000 Shares, respectively, representing 30.0% (in the case of (i)), 40.0% (in the case of (ii)) and 50.0% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), reallocation being referred to in this Prospectus as “Mandatory Reallocation.” In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Overall Coordinators deem appropriate,

STRUCTURE OF THE GLOBAL OFFERING

and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate. In addition to any mandatory reallocation which may be required, the Overall Coordinator may reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 1,839,600 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Shares available under the Hong Kong Public Offering will be increased to 3,679,200 Offer Shares, representing 20.00% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and in case of such reallocation, the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$55.60 per Offer Share) as stated in this Prospectus). In the event that the International Offering and the Hong Kong Public Offering are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$61.16 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “– The International Offering – Pricing of the Global Offering” below, is less than the maximum price of HK\$61.16 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see “How to Apply for Hong Kong Offer Shares.”

STRUCTURE OF THE GLOBAL OFFERING

References in this Prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 16,556,400 Offer Shares to be initially offered by us, representing 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 3.57% of our Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transaction in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– The International Offering – Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the sub-section headed “The Hong Kong Public Offering – Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Overall Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Overall Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 2,759,400 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 0.59% of our Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at

STRUCTURE OF THE GLOBAL OFFERING

which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be issued under the Over-allotment Option, namely, 2,759,400 Shares, which is 15.00% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling the Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 2,759,400 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date.

STRUCTURE OF THE GLOBAL OFFERING

Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Saturday, October 21, 2023. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, September 21, 2023 and in any event on or before Wednesday, September 27, 2023, by agreement between the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company.

The Offer Price will not be more than HK\$61.16 per Share and is expected to be not less than HK\$55.60 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.4paradigm.com) notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, our Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Overall Coordinators (for themselves and on behalf of the Underwriters) may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares and the Hong Kong Offer Shares may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators (for themselves and on behalf of the Underwriters).

Assuming an Offer Price of HK\$58.38 per Offer Share (being the mid-point of the Offer Price Range of between HK\$55.60 and HK\$61.16 per Offer Share), the net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$885.0 million.

The final Offer Price is expected to be announced on Wednesday, September 27, 2023. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, September 27, 2023 and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.4paradigm.com).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in “Underwriting.”

Admission of the H Shares into CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong

STRUCTURE OF THE GLOBAL OFFERING

Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, September 27, 2023, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.4paradigm.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE GLOBAL OFFERING

H Share certificates for the Offer Shares are expected to be issued on Wednesday, September 27, 2023 but will only become valid certificates of title at 8:00 a.m. on Thursday, September 28, 2023 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” in this Prospectus has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, September 28, 2023, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, September 28, 2023.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 6682.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this Prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.4paradigm.com. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker or custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members’ names.

The number of joint applicants may not exceed four.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, chief executive officer or supervisor of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated, applied for or indicated an interest in any Placing Shares or otherwise participated in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- (a) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- (b) have a Hong Kong address; and
- (c) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this Prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Overall Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (vi) agree that none of the Company, the Overall Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our H Share Registrar, receiving bank(s), the Overall Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Overall Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's H Share register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "14. Despatch/Collection of H Share Certificates and Refund Monies – Personal Collection" in this Prospectus to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company, the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
100	6,177.69	2,500	154,442.00	30,000	1,853,303.96	600,000	37,066,079.15
200	12,355.36	3,000	185,330.40	40,000	2,471,071.94	700,000	43,243,759.02
300	18,533.05	3,500	216,218.79	50,000	3,088,839.94	800,000	49,421,438.88
400	24,710.72	4,000	247,107.20	60,000	3,706,607.91	919,800 ⁽¹⁾	56,822,299.35
500	30,888.41	4,500	277,995.59	70,000	4,324,375.90		
600	37,066.08	5,000	308,884.00	80,000	4,942,143.89		
700	43,243.76	6,000	370,660.79	90,000	5,559,911.88		
800	49,421.43	7,000	432,437.59	100,000	6,177,679.85		
900	55,599.12	8,000	494,214.38	200,000	12,355,359.72		
1,000	61,776.80	9,000	555,991.19	300,000	18,533,039.58		
1,500	92,665.20	10,000	617,767.99	400,000	24,710,719.45		
2,000	123,553.59	20,000	1,235,535.97	500,000	30,888,399.30		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Applicants who meet the criteria in the paragraph headed “– 2. Who can apply” in this section may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, September 18, 2023 until 11:30 a.m. on Thursday, September 21, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, September 21, 2023 or such later time under the paragraph headed “– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

You may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Overall Coordinators and our H Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this Prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Director, the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allotted to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Overall Coordinators, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to this Prospectus);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law, the Special Regulations on Listing Overseas, and the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H Shares in the Company are freely transferable by their holders;
- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this Prospectus.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, September 18, 2023 – 9:00 a.m. to 8:30 p.m.
- Tuesday, September 19, 2023 – 8:00 a.m. to 8:30 p.m.
- Wednesday, September 20, 2023 – 8:00 a.m. to 8:30 p.m.
- Thursday, September 21, 2023 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, September 18, 2023 until 12:00 noon on Thursday, September 21, 2023 (24 hours daily, except on Thursday, September 21, 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, September 21, 2023, the last application day or such later time as described in the paragraph headed “– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Overall Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this Prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

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- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

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- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this Prospectus or as notified from time to time, for the attention of the secretary, or the Company's H Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares through the **CCASS eIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS eIPO** service or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, September 21, 2023, the last application day, or such time as described in the paragraph headed "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked “For Nominees”, you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. If you are suspected of submitting more than one application for your benefit through the **CCASS EIPO** service and/or the **HK eIPO White Form** service, all of your applications are liable to be rejected.

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed “Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS”, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

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Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$61.16 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$6,177.69.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in “– 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified in the **IPO App** or on the designated website at www.hkeipo.hk.

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If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy and Accounting and Financial Reporting Council transaction levy, collected by the Stock Exchange on behalf of the SFC and the Accounting and Financial Reporting Council, respectively).

For further details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering – Pricing of the Global Offering” in this Prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, September 21, 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, September 21, 2023 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this Prospectus, an announcement will be made on our website at www.4paradigm.com and the website of the Stock Exchange at www.hkexnews.hk.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, September 27, 2023 on the Company’s website at www.4paradigm.com and the website of the Stock Exchange at www.hkexnews.hk.

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/ certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.4paradigm.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, September 27, 2023;
- from the “IPO Results” functions in the **IPO App** or the designated results of allocations website at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, September 27, 2023 to 12:00 midnight, on Tuesday, October 3, 2023; and
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, September 27, 2023 to Tuesday, October 3, 2023 (excluding Saturday, Sunday and public holiday in Hong Kong).

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this Prospectus; or
- (b) if any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

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- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company, the Overall Coordinators, believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, September 27, 2023.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Wednesday, September 27, 2023. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

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H Share certificates will only become valid at 8:00 a.m. on Thursday, September 28, 2023 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this Prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 500,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, September 27, 2023, or such other date as notified by the Company as the date of despatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 500,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, September 27, 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

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(ii) *If you apply through the CCASS EIPO service*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant's stock account on Wednesday, September 27, 2023, or, on any other date determined by HKSCC or HKSCC Nominees.

The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed “– 11. Publication of Results” in this section on Wednesday, September 27, 2023. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, September 27, 2023 or such other date as determined by HKSCC or HKSCC Nominees.

If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, September 27, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Wednesday, September 27, 2023.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

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

Introduction

We report on the historical financial information of Beijing Fourth Paradigm Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-99, which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022 and March 31, 2023, the company balance sheets as at December 31, 2020, 2021 and 2022 and March 31, 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-99 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 18, 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

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

Reporting accountant's responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and March 31, 2023 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and March 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

September 18, 2023

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

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

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Three months ended				
		Year ended December 31,			March 31,	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Revenue	6	942,238	2,018,399	3,082,637	482,261	644,397
Cost of sales	9	(512,503)	(1,064,924)	(1,595,991)	(247,377)	(362,835)
Gross profit		429,735	953,475	1,486,646	234,884	281,562
Selling and marketing expenses	9	(247,829)	(455,001)	(412,152)	(80,539)	(82,849)
General and administrative expenses	9	(246,493)	(541,730)	(527,638)	(83,178)	(101,099)
Research and development expenses	9	(565,674)	(1,249,485)	(1,650,010)	(225,656)	(241,457)
Credit loss allowance	9	(1,992)	(15,206)	(48,914)	(7)	(5,578)
Other income	7	42,583	41,627	62,662	13,535	16,161
Other gains, net	8	29,604	93,514	63,504	18,066	8,429
Operating loss		(560,066)	(1,172,806)	(1,025,902)	(122,895)	(124,831)
Share of (losses)/profits of investments						
accounted for using the equity method	17	(6,477)	3,802	(3,200)	538	(791)
Finance income	11	6,038	24,416	46,183	7,539	12,429
Finance costs	11	(188,978)	(647,111)	(682,175)	(161,393)	(194,445)
Loss before income tax		(749,483)	(1,791,699)	(1,665,094)	(276,211)	(307,638)
Income tax (expenses)/credit	12	(727)	(10,369)	11,673	8,059	3,742
Loss for the year/period		(750,210)	(1,802,068)	(1,653,421)	(268,152)	(303,896)
Other comprehensive income/(loss):						
<i>Item that may be reclassified to profit or loss</i>						
Currency translation differences		1,451	1,837	(7,162)	459	634
<i>Item that will not be reclassified to profit or loss</i>						
Share of other comprehensive income/(loss) of investments accounted for using the equity method	17	–	9,160	4,345	895	(266)
Other comprehensive income/(loss) for the year/period, net of tax		1,451	10,997	(2,817)	1,354	368
Total comprehensive loss for the year/period		(748,759)	(1,791,071)	(1,656,238)	(266,798)	(303,528)

Note	Year ended December 31,			Three months ended	
	March 31,				
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Loss attributable to:					
Owners of the Company	(749,650)	(1,785,655)	(1,644,897)	(263,626)	(291,344)
Non-controlling interests	(560)	(16,413)	(8,524)	(4,526)	(12,552)
	<u>(750,210)</u>	<u>(1,802,068)</u>	<u>(1,653,421)</u>	<u>(268,152)</u>	<u>(303,896)</u>
Total comprehensive loss attributable to:					
Owners of the Company	(748,199)	(1,774,658)	(1,647,714)	(262,272)	(290,976)
Non-controlling interests	(560)	(16,413)	(8,524)	(4,526)	(12,552)
	<u>(748,759)</u>	<u>(1,791,071)</u>	<u>(1,656,238)</u>	<u>(266,798)</u>	<u>(303,528)</u>
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)					
	<i>13</i>				
Basic	(4.00)	(7.63)	(6.15)	(0.99)	(1.06)
Diluted	(4.00)	(7.63)	(6.15)	(0.99)	(1.06)

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at March 31,
		2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Right-of-use assets	14(a)	37,814	34,074	70,002	65,669
Property and equipment	15	47,658	49,807	48,421	45,532
Intangible assets	16	19,916	395,389	457,306	448,117
Investments accounted for using the equity method	17	86,638	115,173	45,865	45,188
Financial assets at fair value through profit or loss	19	20,936	246,128	477,889	322,257
Contract assets	6(a)	705	1,195	16,295	11,816
Long-term bank deposits	23(c)	–	510,203	685,039	789,973
Other non-current assets		–	1,000	–	–
		<u>213,667</u>	<u>1,352,969</u>	<u>1,800,817</u>	<u>1,728,552</u>
Current assets					
Inventories	20	28,186	184,499	349,872	408,360
Contract assets	6(a)	1,193	4,434	31,093	37,909
Trade receivables	21	262,699	778,321	1,493,238	1,493,952
Prepayments and other receivables	22(a)	169,980	272,002	380,064	388,746
Financial assets at fair value through profit or loss	19	174,408	2,535,763	1,330,166	769,717
Short-term bank deposits	23(c)	95,602	20,000	–	–
Restricted cash	23(b)	18,201	8,010	6,916	5,291
Cash and cash equivalents	23(a)	1,052,073	1,292,686	1,326,818	1,425,288
		<u>1,802,342</u>	<u>5,095,715</u>	<u>4,918,167</u>	<u>4,529,263</u>
Total assets		<u><u>2,016,009</u></u>	<u><u>6,448,684</u></u>	<u><u>6,718,984</u></u>	<u><u>6,257,815</u></u>

	Note	As at December 31,			As at March 31,
		2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital/paid-in capital	24	8,851	437,706	437,706	445,665
Treasury stock	25	(1,746,224)	(4,898,094)	(4,898,094)	(4,898,094)
Reserves	25	2,628,252	6,643,834	7,063,334	6,989,785
Accumulated losses		(2,068,902)	(2,534,467)	(4,177,658)	(4,469,002)
		(1,178,023)	(351,021)	(1,574,712)	(1,931,646)
Non-controlling interests		(4,976)	103,008	113,701	102,751
Deficit on total equity		<u>(1,182,999)</u>	<u>(248,013)</u>	<u>(1,461,011)</u>	<u>(1,828,895)</u>
Liabilities					
Non-current liabilities					
Lease liabilities	14(b)	17,590	11,000	43,721	38,431
Deferred income tax liabilities	29	995	25,027	14,324	10,519
Borrowings	30	–	15,000	24,000	23,500
Redemption liabilities	31	2,147,031	5,822,196	6,493,159	–
Other non-current liabilities	32	772,061	66,541	53,682	54,920
		<u>2,937,677</u>	<u>5,939,764</u>	<u>6,628,886</u>	<u>127,370</u>
Current liabilities					
Trade payables	27	84,968	321,357	863,234	619,524
Other payables and accruals	28	73,366	183,863	226,161	169,134
Contract liabilities	6(b)	77,099	173,881	325,731	342,614
Lease liabilities	14(b)	21,185	24,364	28,311	27,912
Income tax liabilities		–	4,926	1,844	402
Borrowings	30	–	3,752	48,554	61,099
Redemption liabilities	31	–	–	–	6,683,937
Other current liabilities		4,713	44,790	57,274	54,718
		<u>261,331</u>	<u>756,933</u>	<u>1,551,109</u>	<u>7,959,340</u>
Total liabilities		<u>3,199,008</u>	<u>6,696,697</u>	<u>8,179,995</u>	<u>8,086,710</u>
Total equity and liabilities		<u>2,016,009</u>	<u>6,448,684</u>	<u>6,718,984</u>	<u>6,257,815</u>

COMPANY BALANCE SHEETS

	Note	As at December 31,			As at March 31,
		2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property and equipment		61	44	34	33
Investment in a subsidiary		–	10,000	1,000,000	1,000,000
Investments accounted for using the equity method		14,535	34,312	35,628	35,270
Financial assets at fair value through profit or loss	19	–	–	157,449	–
Amounts due from subsidiaries	22(b)	1,145,795	4,851,755	4,707,026	4,624,632
		<u>1,160,391</u>	<u>4,896,111</u>	<u>5,900,137</u>	<u>5,659,935</u>
Current assets					
Trade receivables		440	261	125	188
Prepayments and other receivables	22(a)	996	50,814	50,593	15,860
Financial assets at fair value through profit or loss	19	58,066	1,036,180	–	158,008
Cash and cash equivalents	23(a)	970,833	575,019	585,053	584,603
		<u>1,030,335</u>	<u>1,662,274</u>	<u>635,771</u>	<u>758,659</u>
Total assets		<u><u>2,190,726</u></u>	<u><u>6,558,385</u></u>	<u><u>6,535,908</u></u>	<u><u>6,418,594</u></u>
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital/paid-in capital	24	8,851	437,706	437,706	445,665
Treasury stock	25	(1,746,224)	(4,898,094)	(4,898,094)	(4,898,094)
Reserves	25	2,010,130	5,484,096	5,485,793	5,413,212
Accumulated losses		<u>(1,007,273)</u>	<u>(326,645)</u>	<u>(1,017,482)</u>	<u>(1,258,406)</u>
(Deficit on total equity)/total equity		<u><u>(734,516)</u></u>	<u><u>697,063</u></u>	<u><u>7,923</u></u>	<u><u>(297,623)</u></u>

	<i>Note</i>	As at December 31,			As at March 31,
		2020	2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities					
Non-current liabilities					
Deferred income tax liabilities		14	4,315	–	–
Redemption liabilities	31	2,147,031	5,822,196	6,493,159	–
Other non-current liabilities	32	771,661	–	–	–
		<u>2,918,706</u>	<u>5,826,511</u>	<u>6,493,159</u>	<u>–</u>
Current liabilities					
Trade payables		200	522	120	–
Other payables and accruals	28	6,336	34,289	30,206	27,780
Redemption liabilities	31	–	–	–	6,683,937
Other current liabilities		–	–	4,500	4,500
		<u>6,536</u>	<u>34,811</u>	<u>34,826</u>	<u>6,716,217</u>
Total liabilities		<u>2,925,242</u>	<u>5,861,322</u>	<u>6,527,985</u>	<u>6,716,217</u>
Total equity and liabilities		<u>2,190,726</u>	<u>6,558,385</u>	<u>6,535,908</u>	<u>6,418,594</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

		Attributable to owners of the Company							
	Note	Paid-in capital (Note 24(a))	Share capital (Note 24(b))	Treasury stock (Note 25)	Reserves (Note 25)	Accumulated losses	Subtotal	Non- controlling interests	Deficit on total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)									
Balance at January 1, 2022		–	437,706	(4,898,094)	6,643,834	(2,534,467)	(351,021)	103,008	(248,013)
Comprehensive income/(loss)									
Loss for the period		–	–	–	–	(263,626)	(263,626)	(4,526)	(268,152)
Currency translation differences		–	–	–	459	–	459	–	459
Share of other comprehensive income of investments accounted for using the equity method	17	–	–	–	895	–	895	–	895
Total comprehensive income/(loss) for the period		–	–	–	1,354	(263,626)	(262,272)	(4,526)	(266,798)
Balance at March 31, 2022		–	437,706	(4,898,094)	6,645,188	(2,798,093)	(613,293)	98,482	(514,811)
Balance at January 1, 2023		–	437,706	(4,898,094)	7,063,334	(4,177,658)	(1,574,712)	113,701	(1,461,011)
Comprehensive income/(loss)									
Loss for the period		–	–	–	–	(291,344)	(291,344)	(12,552)	(303,896)
Currency translation differences		–	–	–	634	–	634	–	634
Share of other comprehensive loss of investments accounted for using the equity method	17	–	–	–	(266)	–	(266)	–	(266)
Total comprehensive income/(loss) for the period		–	–	–	368	(291,344)	(290,976)	(12,552)	(303,528)
Transactions with owners in their capacity as owners									
Capital contribution from shareholders	24	–	13,537	–	181,129	–	194,666	–	194,666
Repurchase and cancellation of shares	24	–	(5,578)	–	(253,444)	–	(259,022)	–	(259,022)
Transactions with non-controlling interests		–	–	–	(1,602)	–	(1,602)	1,602	–
Total transactions with owners in their capacity as owners		–	7,959	–	(73,917)	–	(65,958)	1,602	(64,356)
Balance at March 31, 2023		–	445,665	(4,898,094)	6,989,785	(4,469,002)	(1,931,646)	102,751	(1,828,895)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Three months ended March 31,	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Cash flows from operating activities						
Cash used in operations	37(a)	(453,838)	(778,434)	(801,674)	(171,630)	(466,285)
Interest received		898	11,113	27,122	5,523	6,578
Income tax paid		–	(2,687)	(5,037)	(3,307)	(1,504)
Net cash used in operating activities		<u>(452,940)</u>	<u>(770,008)</u>	<u>(779,589)</u>	<u>(169,414)</u>	<u>(461,211)</u>
Cash flows from investing activities						
Purchase of property and equipment and intangible assets		(51,275)	(21,147)	(15,520)	(3,184)	(1,703)
Proceeds from disposal of property and equipment		122	2,240	668	20	60
Placement of term bank deposits		(95,602)	(520,000)	(270,000)	(10,000)	(100,000)
Withdrawal of term bank deposits		–	95,602	130,000	10,000	–
Interest income received from term bank deposits and loan to third party/related party		–	7,405	6,886	–	975
Purchase of short-term investments measured at fair value through profit or loss		(2,656,199)	(7,650,820)	(2,763,507)	(1,230,000)	(150,000)
Proceeds from disposal of short-term investments measured at fair value through profit or loss		2,553,684	5,321,501	3,955,847	1,081,481	873,709
Investment income received		12,487	53,596	71,795	10,907	932
Purchase of long-term investments measured at fair value through profit or loss		(7,300)	(225,800)	(166,688)	–	–
Purchase of investments accounted for using the equity method		(30,000)	(15,000)	(6,224)	–	–
Proceeds from disposal of investments accounted for using the equity method		–	–	5,300	–	–
Dividends received		–	7,513	–	–	–
Acquisition of subsidiaries, net of cash acquired	33	–	(254,701)	(126,170)	–	–
Repayment of loan by a third party		135,000	–	–	–	–
Loan to a related party		–	–	(4,000)	–	–
Repayment of loan by a related party		–	–	4,000	–	–
Net cash (used in)/generated from investing activities		<u>(139,083)</u>	<u>(3,199,611)</u>	<u>822,387</u>	<u>(140,776)</u>	<u>623,973</u>

Note	Year ended December 31,			Three months ended	
	2020	2021	2022	March 31,	
	RMB'000	RMB'000	RMB'000	2022	2023
				(Unaudited)	
				RMB'000	RMB'000
Cash flows from financing activities					
Proceeds injected by shareholders	969,265	4,283,540	–	–	194,666
Payments for shares repurchase	–	–	–	–	(259,022)
Capital contribution from non-controlling interests	202	–	–	–	–
Payment of listing expenses to be capitalized	–	(28,368)	(22,162)	(14,037)	(1,932)
Proceeds from borrowings	–	29,581	50,554	3,326	18,439
Repayment of borrowings	–	(46,546)	(7,752)	(3,752)	(6,394)
Interest expenses paid	–	(713)	(1,225)	(15)	(668)
Payment of lease liabilities	14(b) (27,039)	(27,479)	(28,429)	(6,732)	(9,219)
Net cash generated from/(used in) financing activities	942,428	4,210,015	(9,014)	(21,210)	(64,130)
Net increase/(decrease) in cash and cash equivalents	350,405	240,396	33,784	(331,400)	98,632
Cash and cash equivalents at the beginning of the year/period	703,786	1,052,073	1,292,686	1,292,686	1,326,818
Effects of exchange rate changes on cash and cash equivalents	(2,118)	217	348	(33)	(162)
Cash and cash equivalents at the end of the year/period	23(a) <u>1,052,073</u>	<u>1,292,686</u>	<u>1,326,818</u>	<u>961,253</u>	<u>1,425,288</u>

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Beijing Fourth Paradigm Technology Co., Ltd. (the “Company”, formerly known as Shenzhen Qianhai Fourth Paradigm Data Technology Co., Ltd.) was incorporated in Shenzhen, the People’s Republic of China (the “PRC”) on September 17, 2014 as a limited liability company, and relocated to Beijing, PRC on April 21, 2021. On July 9, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

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

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

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

Name of subsidiary	Place and date of incorporation	Particulars of issued/registered capital	Equity interest held as at				the date of this report	Principal activities	Note
			December 31,			March 31,			
			2020	2021	2022	2023			
Subsidiaries directly held:									
Fourth Paradigm (Beijing) Data & Technology Co., Ltd.	Mainland China, May 12, 2015	RMB2,000,000,000	100%	100%	100%	100%	100%	Sales of AI platform, provision of AI related services, research and development of technology	(a)
Shanghai Shishuo Intelligent Technology Co., Ltd.	Mainland China, April 1, 2017	RMB500,000,000	100%	100%	100%	100%	100%	Research and development of technology	(e)
Beijing Fourth Paradigm Science & Technology Co., Ltd.	Mainland China, September 29, 2016	RMB500,000	100%	100%	100%	100%	100%	Investment holding and investment activities	(e)
Fourth Paradigm (Shenzhen) Data & Technology Co., Ltd.	Mainland China, March 11, 2019	RMB5,000,000	100%	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Subsidiaries indirectly held:									
Paradigm Telian (Beijing) Technology Co., Ltd.	Mainland China, December 12, 2018	RMB10,000,000	51%	51%	N/A	N/A	N/A	Sales of AI platform and provision of AI related services	(e), (j)
Beijing Xuexian Intelligent Technology Co., Ltd.	Mainland China, January 18, 2019	RMB10,000,000	100%	100%	100%	100%	100%	Provision of AI related services	(e)
Beijing Yuntian Xinrui Technology Co., Ltd.	Mainland China, September 27, 2019	RMB50,000,000	100%	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Beijing Future Paradigm Technology Co., Ltd.	Mainland China, May 28, 2018	RMB500,000	60%	60%	60%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Paradigm Rongtong (Beijing) Technology Co., Ltd.	Mainland China, February 6, 2018	RMB10,000,000	55%	55%	N/A	N/A	N/A	Sales of AI platform and provision of AI related services	(e), (j)
Fourth Paradigm International Limited	Hong Kong, June 1, 2018	Hong Kong Dollar (“HKD”) 500,000	100%	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	(b)

Name of subsidiary	Place and date of incorporation	Particulars of issued/registered capital	Equity interest held as at				the date of this report	Principal activities	Note
			December 31,			March 31,			
			2020	2021	2022	2023			
Fourth Paradigm Southeast Asia Pte. Ltd.	Singapore, July 11, 2018	Singapore Dollar ("SGD") 50,000	100%	100%	100%	100%	100%	Sales of AI platform, provision of AI related services, research and development of technology	(c)
The 4th Paradigm Europe B.V.	Netherlands, January 21, 2020	Euro ("EUR") 100,000	100%	100%	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Zhongyuan Putai (Beijing) Intelligent Technology Co., Ltd.	Mainland China, April 14, 2021	RMB1,000,000	N/A	51%	51%	51%	51%	Sales of AI platform and provision of AI related services	(e)
Guangzhou Jianxin Technology Co., Ltd. (Note 33(a))	Mainland China, April 6, 2005	RMB30,480,000	N/A	66%	66%	66%	66%	Provision of intelligent platform and solutions in energy and power industry	(d)
Nanchang Jianxin Technology Co., Ltd.	Mainland China, March 24, 2017	RMB3,000,000	N/A	66%	N/A	N/A	N/A	Research and development of technology	(d), (f), (j)
Sichuan Shibeiyun Technology Co., Ltd. (formerly known as Sichuan Jianneng Zhixin Technology Co., Ltd.)	Mainland China, May 15, 2017	RMB9,000,000	N/A	66%	66%	66%	66%	Research and development of technology	(d), (f)
Guangzhou Shibeiyun Big Data Co., Ltd. (formerly known as Guangzhou Shibeiyun Technology Co., Ltd.)	Mainland China, January 8, 2018	RMB5,000,000	N/A	66%	66%	66%	66%	Research and development of technology	(d), (f)
Wuhan Jianxin Technology Co., Ltd. (formerly known as Yichang Jianxin Technology Co., Ltd.)	Mainland China, December 19, 2018	RMB10,000,000	N/A	66%	66%	66%	66%	Research and development of technology	(d), (f)
Guangzhou Shibeiyun Technology Co., Ltd. (formerly known as Shibeiyun (Guangzhou) Big Data Technology Co., Ltd.)	Mainland China, May 25, 2020	RMB20,000,000	N/A	66%	66%	66%	66%	Research and development of technology	(d), (f)
Shanghai Yisaihai Technology Co., Ltd.	Mainland China, June 9, 2021	RMB100,000	N/A	100%	100%	100%	100%	Investment holding	(e)
Beijing Ideal Information Technology Co., Ltd. (formerly known as Changchun Ideal Technology Information Co., Ltd.) (Note 33(b))	Mainland China, April 17, 2000	RMB58,641,975	N/A	54.44%	56.84%	56.84%	56.84%	Provision of digital operation and maintenance platform and solutions	(k)
Zhimei Xinchuang (Beijing) Technology Co., Ltd.	Mainland China, October 27, 2020	RMB1,000,000	35%	35%	35%	70%	70%	Sales of AI platform and provision of AI related services	(e), (g)
Shanghai Laike Paradigm Technology Co., Ltd.	Mainland China, July 19, 2021	RMB10,000,000	N/A	40%	40%	40%	N/A	Sales of AI platform and provision of AI related services	(e), (g)
Hefei Shanyue Intelligence Technology Co., Ltd.	Mainland China, March 4, 2022	RMB20,000,000	N/A	N/A	51%	51%	51%	Sales of AI platform and provision of AI related services	(e)
Fourth Paradigm (Beijing) Digital Technology Co., Ltd.	Mainland China, June 10, 2022	RMB5,000,000	N/A	N/A	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)

Name of subsidiary	Place and date of incorporation	Particulars of issued/registered capital	Equity interest held as at				the date of this report	Principal activities	Note
			December 31,			March 31,			
			2020	2021	2022	2023			
EpicHust Technology (Wuhan) Co., Ltd. (Note 33(c))	Mainland China, March 7, 2012	RMB43,700,000	N/A	N/A	79.66%	79.66%	79.66%	Provision of intelligent platform and solutions in manufacturing industry	(l)
Wuxi EpicHust Intelligent Technology Co., Ltd.	Mainland China, April 15, 2016	RMB1,000,000	N/A	N/A	74.88%	74.88%	74.88%	Provision of intelligent platform and solutions in manufacturing industry	(e), (h)
Zhuhai EpicHust Intelligent Technology Co., Ltd.	Mainland China, October 16, 2009	RMB600,000	N/A	N/A	79.66%	79.66%	79.66%	Provision of intelligent platform and solutions in manufacturing industry	(e), (h)
Shanghai Paradigm Digital Software Technology Co., Ltd.	Mainland China, July 19, 2022	RMB10,000,000	N/A	N/A	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Changchun Ideal Technology Information Co., Ltd.	Mainland China, August 3, 2022	RMB30,000,000	N/A	N/A	56.84%	56.84%	56.84%	Provision of digital operation and maintenance platform and solutions	(e)
Nanjing Shibeyun Technology Co., Ltd.	Mainland China, August 25, 2022	RMB10,000,000	N/A	N/A	66%	66%	66%	Research and development of technology	(d)
Shibeyun (Beijing) Technology Co., Ltd.	Mainland China, September 19, 2022	RMB10,000,000	N/A	N/A	66%	66%	66%	Research and development of technology	(d)
Paradigm Digital Technology (Guangzhou) Co., Ltd.	Mainland China, November 18, 2022	RMB5,000,000	N/A	N/A	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Paradigm Digital Technology (Wuhan) Co., Ltd.	Mainland China, December 1, 2022	RMB5,000,000	N/A	N/A	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Paradigm Digital Technology (Hangzhou) Co., Ltd.	Mainland China, December 6, 2022	RMB5,000,000	N/A	N/A	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Paradigm Cloud (Beijing) Retail Technology Co., Ltd. (Note 17(b))	Mainland China, November 6, 2019	RMB100,000,000	40%	40%	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Beijing Paradigm Pilot Technology Co., Ltd.	Mainland China, December 16, 2022	RMB5,000,000	N/A	N/A	100%	100%	100%	Sales of AI platform and provision of AI related services	(e)
Beijing Paradigm Empowerment Enterprise Management Co., Ltd.	Mainland China, January 17, 2023	RMB500,000	N/A	N/A	N/A	100%	100%	Investment holding	(e)
Beijing Shiqin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	100%	Investment holding	(e)
Beijing Shita Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	100%	Investment holding	(e)
Beijing Shijing Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	100%	Investment holding	(e)
Beijing Shijin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	100%	Investment holding	(e)
Beijing Shixin Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	100%	Investment holding	(e)
Beijing Shili Enterprise Management Partnership (Limited Partnership)	Mainland China, March 13, 2023	RMB100,000	N/A	N/A	N/A	100%	100%	Investment holding	(e)
Shanghai Fan'an Technology Co., Ltd.	Mainland China, June 20, 2023	RMB10,000,000	N/A	N/A	N/A	N/A	66.67%	Research and development of technology	(e)

Notes:

- (a) The statutory financial statements of Fourth Paradigm (Beijing) Data & Technology Co., Ltd. for the years ended December 31, 2020, 2021 and 2022 were audited by Da Hua Certified Public Accountants (Special General Partnership). In December 2022, the paid-in capital of Fourth Paradigm (Beijing) Data & Technology Co., Ltd. was increased to RMB1,000,000,000 by the Company.
- (b) The statutory financial statements of Fourth Paradigm International Limited for the years ended December 31, 2020 and 2021 were audited by Kenneth K.K. Tsang. The statutory financial statements of Fourth Paradigm International Limited for the year ended December 31, 2022 were audited by Yeung Wai.
- (c) The statutory financial statements of Fourth Paradigm Southeast Asia Pte. Ltd. for the year ended December 31, 2020 were audited by MGI SINGAPORE PAC. The statutory financial statements of Fourth Paradigm Southeast Asia Pte. Ltd. for the year ended December 31, 2021 were audited by FOZL Assurance PAC.
- (d) The statutory financial statements of Guangzhou Jianxin Technology Co., Ltd. and its subsidiaries for the years ended December 31, 2021 and 2022 were audited by Peng Sheng Certified Public Accountants (Special General Partnership).
- (e) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (f) These entities are subsidiaries of Guangzhou Jianxin Technology Co., Ltd. which have been acquired by the Group on March 31, 2021 (Note 33(a)).
- (g) As at December 31, 2020, 2021 and 2022, the equity interests of Zhimei Xinchuang (Beijing) Technology Co., Ltd. (“Zhimei Xinchuang”) held by the Group was 35%. Another shareholder holding 30% equity interests of Zhimei Xinchuang has agreed to act in concert with the Group on the operation and investment decision of Zhimei Xinchuang, the Group therefore has rights to exercise power, receives variable returns from its involvement, has the ability to affect those returns through its power over Zhimei Xinchuang and is considered to control Zhimei Xinchuang. In February 2023, the Group has further acquired 35% equity interests of Zhimei Xinchuang.

As at December 31, 2021 and 2022 and March 31, 2023, the Group controlled Shanghai Laike Paradigm Technology Co., Ltd. (“Laike Paradigm”) through concerting with a shareholder holding 20% equity interests. Pursuant to the revised shareholder agreement among all shareholders of Laike Paradigm in May 2023, the operation and investment decision-making of Laike Paradigm shall be agreed by both the Group and another shareholder who holds 40% equity interests. Then Laike Paradigm became a joint venture and was measured using equity method.

- (h) These entities are subsidiaries of EpicHust Technology (Wuhan) Co., Ltd. which have been acquired by the Group on June 30, 2022 (Note 33(c)).
- (i) As at December 31, 2020, 2021 and 2022 and March 31, 2023, no subsidiary has non-controlling interests that are material to the Group.
- (j) As at December 31, 2022, Paradigm Rongtong (Beijing) Technology Co., Ltd., Paradigm Telian (Beijing) Technology Co., Ltd. and Nanchang Jianxin Technology Co., Ltd. have cancelled their registration.
- (k) In December 2022, the Group increased capital contribution of RMB25,000,000 to Beijing Ideal Information Technology Co., Ltd., as a result, the equity interests held by the Group increased from 54.44% to 56.84%. The statutory financial statements of Beijing Ideal Information Technology Co., Ltd. for the year ended December 31, 2022 were audited by Beijing Zhongyihe Accountant Office Co., Ltd..
- (l) The statutory financial statements of EpicHust Technology (Wuhan) Co., Ltd. for the year ended December 31, 2022 were audited by WUYIGE Certified Public Accountants LLP.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

All effective standards, amendments to standards and interpretations, which are mandatory for the financial period ended on March 31, 2023, are consistently applied to the Group throughout the Track Record Period.

As at March 31, 2023, the Group has net liabilities of RMB1,828,895,000 and net current liabilities of RMB3,430,077,000, primarily due to the significant amount of redemption liabilities amounting to RMB6,683,937,000 and such amount has been reclassified as current liabilities (Note 31). The Historical Financial Information has been prepared on a going concern basis as the directors of the Company have given careful consideration of the following facts and circumstances which may have impact on the current and anticipated future liquidity of the Group:

- Pursuant to the supplemental agreement as mentioned in Note 31, the respective investors' rights to request the Company to settle the redemption liabilities will be reinstated and become exercisable immediately if the initial public offering, listing and trading of the Company's shares on a recognized stock exchange does not occur before December 30, 2023. In May and June 2023, certain investors have already undertaken that they will not exercise their redemption rights prior to December 31, 2024 on the conditions that the Company does not suspend/terminate its listing plan and the recognized stock exchange has not rejected the Company's listing application (Note 38). Furthermore, all redemption liabilities will be re-classified to equity upon the successful listing of the Company. Considering the progress of the Company's listing application, the directors of the Company are of the view that it is unlikely that the Group will have significant cash outflows for the settlement of redemption liabilities in the next twelve months from March 31, 2023;
- The Group has unutilised banking facilities of RMB1,200,000,000 as of the date of this accountant's report which can be utilized by the Group as and when any funding needs are arising;
- The Group can withdraw and utilize the long-term deposit with carrying amount of RMB760,000,000 as at March 31, 2023 as and when any funding needs are arising (with limited loss of interests) and the subsequent realization of the contract liabilities of approximately RMB342,614,000 (included in current liabilities as at March 31, 2023) as revenue of the Group does not necessary result in any cash outflows for the same amount; and
- Based on the working capital forecast, the directors of the Company believe that the Group has sufficient working capital for the present requirements and for the next 12 months from the date of this accountant's report.

Having taken into account the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its operations in the next twelve months from March 31, 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

Amended standards have not been early adopted

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

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

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

2.2 Principles of consolidation and equity accounting

(a) *Subsidiaries*

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

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

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

(b) *Associates*

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

(c) *Joint arrangements*

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

Joint ventures

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

(d) *Equity method*

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

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

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

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

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

(e) *Changes in ownership interests*

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

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

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

2.3 Business combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

(c) *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.

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

2.7 Property and equipment

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

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

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

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

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

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) *Other intangible assets*

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

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

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

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

(c) *Research and development expenditures*

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

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

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

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

2.10.1 Classification

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

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

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

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

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

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

2.10.2 Measurement

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

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

Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/losses, net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of comprehensive income within other gains/losses, net in the period in which it arises.

Equity instruments

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

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

2.10.3 Impairment

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

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

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

2.10.4 Derecognition*Financial assets*

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

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

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

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

Other financial liabilities

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

2.11 Offsetting financial instruments

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

2.12 Inventories

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

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

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

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

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

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents and restricted cash

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

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

2.15 Paid-in capital/share capital and treasury stock

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

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

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

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

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

2.18 Borrowing costs

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

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

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

2.19 Redemption liabilities

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

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

2.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2.21 Employee benefits**(a) Pension obligations and other social welfare benefits**

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

(b) Employee leave entitlements

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

(c) Bonus plans

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

(d) Termination benefits

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

2.22 Share-based payments**(a) Equity-settled share-based payment transactions**

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

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

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

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

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

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

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

(b) *Cash-settled share-based payment transactions*

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

(c) *Modifications*

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

2.23 Provisions

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

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

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

2.24 Revenue recognition

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

(a) *Sage Platform and applications*

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

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

(b) Application development and other services

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

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

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

Contract balance

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

2.25 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(b) Diluted earnings per share

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

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

2.26 Dividend income

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

2.27 Leases

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

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

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

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

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

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

2.28 Dividend distribution

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

2.29 Government grant

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

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

2.30 Interest income

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) *Market risk*

(i) *Foreign exchange risk*

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

If RMB had strengthened/weakened by 5% against United States dollar ("USD") with all other variables held constant, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 would have been approximately RMB6,608,000, RMB3,053,000, RMB5,418,000, RMB3,768,000 and RMB5,369,000 higher/lower, respectively, as a result of net foreign exchange losses on translation of net monetary assets denominated in USD.

(ii) *Interest rate risk*

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

If the interest rate of cash and cash equivalents had been 50 basis points higher/lower, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 would have been approximately RMB5,260,000, RMB6,463,000, RMB6,634,000, RMB4,806,000 and RMB7,126,000 lower/higher, respectively.

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

(iii) *Price risk*

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

(b) *Credit risk*

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

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

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

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

Impairment of financial assets and contract assets

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

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

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics, credit rating and aging periods. The expected loss rates are based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP), consumer price index (CPI) and broad money (M2) of mainland China in which it provides services to be the most relevant factors, and accordingly adjusts the loss rates based on expected changes in those factors. Details of loss allowance of trade receivables and contract assets as at December 31, 2020, 2021 and 2022 and March 31, 2023 were included in Notes 21 and 6(a), respectively.

Other receivables

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

- Other receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (specifically, when the debtor is more than 30 day past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (specifically, when the debtor is more than 90 days past due on its contractual payments), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

As there has been no significant increase in credit risk since initial recognition, all of the Group's other receivables as at December 31, 2020, 2021 and 2022 and March 31, 2023 were classified in Stage 1 and their expected credit losses were measured on a 12-month basis, except for the balance of other receivable from a third party customer as at December 31, 2022 and March 31, 2023 of which the expected credit loss was measured on lifetime basis due to the receivable had been long past due (Note 22(a)).

Write-off policy

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

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group						
At December 31, 2020						
Trade payables	84,968	–	–	–	84,968	84,968
Other payables (excluding payroll payables and other taxes payables)	3,105	–	–	–	3,105	3,105
Lease liabilities	22,525	17,967	–	–	40,492	38,775
	<u>84,968</u>	<u>17,967</u>	<u>–</u>	<u>–</u>	<u>40,492</u>	<u>38,775</u>
At December 31, 2021						
Borrowings	3,752	–	15,000	–	18,752	18,752
Trade payables	321,357	–	–	–	321,357	321,357
Other payables (excluding payroll payables and other taxes payables)	68,844	–	–	–	68,844	68,844
Lease liabilities	25,525	6,308	5,096	–	36,929	35,364
Payable for acquisition of subsidiaries	40,930	30,465	50,465	–	121,860	106,306
	<u>40,930</u>	<u>30,465</u>	<u>50,465</u>	<u>–</u>	<u>121,860</u>	<u>106,306</u>
At December 31, 2022						
Borrowings	49,906	16,378	8,256	–	74,540	72,554
Trade payables	863,234	–	–	–	863,234	863,234
Other payables (excluding payroll payables and other taxes payables)	69,941	–	–	–	69,941	69,941
Lease liabilities	29,116	25,428	19,986	–	74,530	72,032
Payable for acquisition of subsidiaries	42,877	42,877	20,000	–	105,754	95,175
	<u>42,877</u>	<u>42,877</u>	<u>20,000</u>	<u>–</u>	<u>105,754</u>	<u>95,175</u>
At March 31, 2023						
Borrowings	62,339	16,367	7,667	–	86,373	84,599
Trade payables	619,524	–	–	–	619,524	619,524
Other payables (excluding payroll payables and other taxes payables)	62,078	–	–	–	62,078	62,078
Lease liabilities	30,107	25,467	14,543	–	70,117	66,343
Payable for acquisition of subsidiaries	42,877	42,877	20,000	–	105,754	97,306
	<u>42,877</u>	<u>42,877</u>	<u>20,000</u>	<u>–</u>	<u>105,754</u>	<u>97,306</u>

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

3.2 Capital management

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

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

Considering the factors as set out in Note 2.1, the directors of the Company believe that the Group's available cash and cash equivalents as well as access to borrowing facilities, will be sufficient to fund capital expenditures, debt servicing, dividend payments and other cash requirements going forward.

3.3 Fair value estimation

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

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

The following tables present the Group's assets that are measured at fair value at December 31, 2020, 2021 and 2022 and March 31, 2023.

At December 31, 2020:

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

At December 31, 2021:

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

At December 31, 2022:

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

At March 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Long-term investments measured at fair value through profit or loss (Note 19)	–	–	322,257	322,257
Short-term investments measured at fair value through profit or loss (Note 19)	–	–	769,717	769,717
	<u>–</u>	<u>–</u>	<u>1,091,974</u>	<u>1,091,974</u>

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023.

	<u>Year ended December 31,</u>			<u>Three months ended</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>March 31,</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At the beginning of the year/period	7,754	20,936	246,128	246,128	477,889
Additions	7,300	225,800	183,992	–	–
Transfers	–	–	67,246	–	(158,008)
Disposals	–	–	(17,304)	–	–
Changes in fair value	5,882	(608)	(2,173)	(621)	2,376
At the end of the year/period	<u>20,936</u>	<u>246,128</u>	<u>477,889</u>	<u>245,507</u>	<u>322,257</u>
Net unrealized gains/(losses) for the year/period	<u>5,882</u>	<u>(608)</u>	<u>(2,477)</u>	<u>(621)</u>	<u>2,376</u>

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023.

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
At the beginning of the year/period	71,900	174,408	2,535,763	2,535,763	1,330,166
Additions	2,656,199	7,650,820	2,763,507	1,230,000	150,000
Transfer	–	–	–	–	158,008
Acquisition of subsidiaries	–	–	5,009	–	–
Disposals	(2,566,171)	(5,375,097)	(4,027,642)	(1,092,388)	(874,641)
Changes in fair value	12,480	85,632	53,529	18,628	6,184
At the end of the year/period	<u>174,408</u>	<u>2,535,763</u>	<u>1,330,166</u>	<u>2,692,003</u>	<u>769,717</u>
Net unrealized (losses)/gains for the year/period	<u>(7)</u>	<u>32,036</u>	<u>13,770</u>	<u>7,721</u>	<u>5,252</u>

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

The valuation of the level 3 instruments mainly included long-term investments measured at fair value through profit or loss in unlisted equity securities, preferred shares and funds (Note 19) and short-term investments measured at fair value through profit or loss in wealth management products and funds (Note 19). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.

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

Description	Fair values				Significant unobservable inputs	Range of inputs				Relationship of unobservable inputs to fair values
	As at December 31,			As at		As at December 31,			As at	
	2020	2021	2022	March 31,		2020	2021	2022	March 31,	
	RMB'000	RMB'000	RMB'000	2023	RMB'000	RMB'000	RMB'000	RMB'000		
Long-term investments measured at fair value through profit or loss:										
- Unlisted equity securities and preferred shares investments	9,804	36,065	101,165	101,165	Expected volatility	48.58%- 57.90%	48.80%- 59.33%	45.75%- 72.96%	45.75%- 72.96%	The higher the expected volatility, the lower the fair value
					Discount for lack of marketability ("DLOM")	22.00%- 25.00%	21.00%- 25.00%	18.50%- 26.00%	18.50%- 26.00%	The higher the DLOM, the lower the fair value
					Risk-free rate	2.69%- 2.71%	2.57%- 2.59%	2.24%- 2.52%	2.24%- 2.52%	The higher the risk-free rate, the higher the fair value
- Fund investments (a)	11,132	210,063	376,724	221,092	N/A	N/A	N/A	N/A	N/A	N/A
	20,936	246,128	477,889	322,257						
Short-term investments measured at fair value through profit or loss:										
- Wealth management products	174,408	2,535,763	1,330,166	611,709	Expected rate of return	2.38%- 3.42%	2.30%- 4.26%	1.60%- 4.30%	2.70%- 4.00%	The higher the expected rate of return, the higher the fair value
- Fund investments (a)	-	-	-	158,008	N/A	N/A	N/A	N/A	N/A	N/A
	174,408	2,535,763	1,330,166	769,717						

Note:

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

If the fair values of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group had been 0.5% higher/lower, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 would have been approximately RMB977,000, RMB13,909,000, RMB9,040,000, RMB14,688,000 and RMB5,460,000 lower/higher, respectively.

The Group believes that any reasonably possible change in assumptions used for the significant unobservable inputs would not have any significant impact on the Group's profit or loss.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 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 interest rates are close to the market interest rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Fair value of financial assets

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

(b) Impairment of goodwill

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

(c) Business combinations

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

(d) Credit loss allowance for trade receivables

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

(e) Principal versus agent considerations

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

(f) Valuation of share-based payments

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

(g) Income taxes

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

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

5 SEGMENT INFORMATION

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

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

For the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue. For the three months ended March 31, 2023, revenue of approximately RMB108,402,000 and RMB70,442,000 was derived from two external customers which accounted for more than 10% of the total revenue.

6 REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sage Platform and applications	618,929	1,014,554	1,491,851	247,852	271,735
Application development and other services	323,309	1,003,845	1,590,786	234,409	372,662
	<u>942,238</u>	<u>2,018,399</u>	<u>3,082,637</u>	<u>482,261</u>	<u>644,397</u>

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Point in time	925,630	1,980,750	3,018,068	468,076	628,295
Over time	16,608	37,649	64,569	14,185	16,102
	<u>942,238</u>	<u>2,018,399</u>	<u>3,082,637</u>	<u>482,261</u>	<u>644,397</u>

(a) **Contract assets**

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

	As at December 31,			As at March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets				
– Current portion	1,198	4,575	31,976	39,091
– Non-current portion	708	1,195	16,949	12,289
	1,906	5,770	48,925	51,380
Credit loss allowance	(8)	(141)	(1,537)	(1,655)
	<u>1,898</u>	<u>5,629</u>	<u>47,388</u>	<u>49,725</u>

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

(b) **Contract liabilities**

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

	As at December 31,			As at March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	77,099	173,881	325,731	342,614

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

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

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in the contract liabilities at the beginning of the year/period	20,781	73,128	149,365	116,425	52,666

(c) **Unsatisfied performance obligations**

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

	As at December 31,			As at March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied	480	26,193	25,104	37,030

Management expects that 51%, 75%, 67% and 78% of the transaction price allocated to unsatisfied performance obligations as at December 31, 2020, 2021 and 2022 and March 31, 2023 will be recognized as revenue within one year. The remaining 49%, 25%, 33% and 22% will be recognized over one year.

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

7 OTHER INCOME

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	18,518	5,174	5,275	337	1,119
Value-added tax and other tax refunds	24,065	36,453	52,397	10,947	13,852
Others	–	–	4,990	2,251	1,190
	42,583	41,627	62,662	13,535	16,161

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

8 OTHER GAINS, NET

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Fair value changes on financial assets at fair value through profit or loss					
– Unlisted equity securities	2,504	461	2,710	–	–
– Preferred shares investments	–	–	304	–	–
– Fund investments	3,378	(1,069)	(5,187)	(621)	2,376
– Wealth management products	12,480	85,632	53,529	18,628	6,184
Fair value changes on financial liabilities at fair value through profit or loss	(888)	–	–	–	–
Foreign exchange (losses)/gains, net	(2,878)	(607)	7,398	(713)	(922)
Net gains on disposal/transfer/dilution of investments accounted for using the equity method	13,781	8,086	5,158	–	380
Others	1,227	1,011	(408)	772	411
	<u>29,604</u>	<u>93,514</u>	<u>63,504</u>	<u>18,066</u>	<u>8,429</u>

9 EXPENSES BY NATURE

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses (Note 10)	563,769	1,126,528	1,107,799	139,617	160,698
Technology service fees	446,308	1,336,218	2,002,438	284,172	370,472
Cost of finished goods sold	323,595	434,021	613,183	89,965	128,206
Advertising and marketing expenses	99,570	167,060	198,035	31,370	36,245
Depreciation and amortization					
– property and equipment	14,103	16,348	16,763	4,240	4,367
– right-of-use assets	27,430	25,958	27,610	6,878	7,062
– intangible assets	5,782	25,872	36,472	8,672	9,354
Cloud service and other technical service fees	42,303	67,097	35,504	12,876	1,418
Auditor's remuneration	392	1,095	975	–	–
Listing expenses (Note 22(a)(ii))	–	672	44,720	42,687	47,985
Other professional fees	16,789	32,410	15,591	2,926	4,074
Business travel expenses	9,852	23,531	24,955	2,693	5,166
Credit loss allowance (Note (a))	1,992	15,206	48,914	7	5,578
Impairment provision for inventories (Note 20)	–	1,920	1,125	–	52
Others	22,606	52,410	60,621	10,654	13,141
	<u>1,574,491</u>	<u>3,326,346</u>	<u>4,234,705</u>	<u>636,757</u>	<u>793,818</u>

Note:

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

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	337,858	431,240	589,119	131,440	145,621
Contributions to pension plans	15,323	34,466	44,915	11,399	15,280
Other social security costs, housing benefits and other employee benefits	35,955	54,705	58,839	13,909	19,548
Share-based payment expenses (Note 26)	173,665	603,634	433,403	–	–
	562,801	1,124,045	1,126,276	156,748	180,449
Add/(less): capitalized in contract fulfilment cost	968	2,483	(18,477)	(17,131)	(19,751)
	<u>563,769</u>	<u>1,126,528</u>	<u>1,107,799</u>	<u>139,617</u>	<u>160,698</u>

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Representing amounts charged to:					
– cost of sales	24,181	78,644	154,022	16,679	28,542
– selling and marketing expenses	131,605	246,384	166,380	39,805	36,205
– general and administrative expenses	196,907	465,013	417,404	28,418	36,252
– research and development expenses	211,076	336,487	369,993	54,715	59,699
	<u>563,769</u>	<u>1,126,528</u>	<u>1,107,799</u>	<u>139,617</u>	<u>160,698</u>

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include none of the directors or supervisors of the Company for the years ended December 31, 2020 and 2022 and the three months ended March 31, 2022 and 2023 and include two directors of the Company for the year ended December 31, 2021, whose emoluments are reflected in the note (b) below. The emoluments payable to the five highest paid individuals, excluding the two highest paid directors for the year ended December 31, 2021, are as follows:

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Wages, salaries and bonuses	11,031	3,977	9,643	3,830	4,599
Contributions to pension plans	81	76	236	65	72
Other social security costs, housing benefits and other employee benefits	310	194	336	96	109
Share-based payment expenses	126,964	92,417	394,446	–	–
	<u>138,386</u>	<u>96,664</u>	<u>404,661</u>	<u>3,991</u>	<u>4,780</u>

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Nil to HKD500,000	–	–	–	–	–
HKD500,001 to HKD1,000,000	–	–	–	3	2
HKD1,000,001 to HKD1,500,000	–	–	–	2	2
HKD1,500,001 to HKD2,000,000	–	–	–	–	1
HKD4,500,001 to HKD5,000,000	1	–	–	–	–
HKD5,000,001 to HKD5,500,000	1	–	–	–	–
HKD8,500,001 to HKD9,000,000	1	–	–	–	–
HKD10,500,001 to HKD11,000,000	–	–	1	–	–
HKD18,500,001 to HKD19,000,000	1	–	–	–	–
HKD25,000,001 to HKD25,500,000	–	1	–	–	–
HKD33,500,001 to HKD34,000,000	–	1	–	–	–
HKD45,000,001 to HKD45,500,000	–	–	1	–	–
HKD57,500,001 to HKD58,000,000	–	1	–	–	–
HKD60,500,001 to HKD61,000,000	–	–	1	–	–
HKD97,500,001 to HKD98,000,000	–	–	1	–	–
HKD118,000,001 to HKD118,500,000	1	–	–	–	–
HKD256,000,001 to HKD256,500,000	–	–	1	–	–
	5	3	5	5	5

(b) Benefits and interests of directors and supervisors

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

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

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

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

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

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

The remuneration of each director and supervisor of the Company for the three months ended March 31, 2022 (Unaudited) are set out as follows:

	Wages, salaries and bonuses	Contributions to pension plans	Other social security costs, housing benefits and other employee benefits	Share-based payment expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
– Dai Wenyuan	276	14	19	–	309
– Chen Yuqiang	522	14	19	–	555
– Yu Zhonghao	500	14	23	–	537
Non-executive directors					
– Yang Qiang	–	–	–	–	–
– Neil Nanpeng Shen	–	–	–	–	–
– Zhang Jing	–	–	–	–	–
– Dou Shuai	–	–	–	–	–
Independent non-executive directors					
– Li Jianbin	–	–	–	–	–
– Liu Chijin	–	–	–	–	–
– Hou Xiaodi	–	–	–	–	–
– Ni Lionel Ming-shuan	–	–	–	–	–
Supervisors					
– Chai Yifei	522	15	22	–	559
– Zhou Wenjing	418	14	19	–	451
– Shao Liling	182	14	19	–	215
	<u>2,420</u>	<u>85</u>	<u>121</u>	<u>–</u>	<u>2,626</u>

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

	Wages, salaries and bonuses	Contributions to pension plans	Other social security costs, housing benefits and other employee benefits	Share-based payment expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
– Dai Wenyuan	261	15	22	–	298
– Chen Yuqiang	521	15	22	–	558
– Yu Zhonghao	507	17	25	–	549
Non-executive directors					
– Yang Qiang	–	–	–	–	–
– Zhang Jing	–	–	–	–	–
– Dou Shuai	–	–	–	–	–
Independent non-executive directors					
– Li Jianbin	–	–	–	–	–
– Liu Chijin	–	–	–	–	–
– Ke Yele	–	–	–	–	–
Supervisors					
– Chai Yifei	520	16	23	–	559
– Zhou Wenjing	520	15	22	–	557
– Shao Liling	234	15	22	–	271
	<u>2,563</u>	<u>93</u>	<u>136</u>	<u>–</u>	<u>2,792</u>

Notes:

- (a) Mr. Yu Zhonghao was appointed as an executive director in February 2021.
- (b) Mr. Ji Yue resigned from the position of a non-executive director in April 2021.
- (c) Mr. Wang Hua resigned from the position of a non-executive director in February 2021.
- (d) Mr. Neil Nanpeng Shen was appointed as a non-executive director in April 2021 and tendered resignation from the position of non-executive director in June 2022.
- (e) Mr. Zhang Jing and Mr. Dou Shuai were appointed as non-executive directors in February 2021.
- (f) Ms. Wu Ming and Mr. Peng Zhijian resigned from the positions of non-executive directors in July 2021.
- (g) Mr. Li Jianbin, Mr. Liu Chijin, Dr. Hou Xiaodi and Dr. Ni Lionel Ming-shuan were appointed as independent non-executive directors in July 2021. Dr. Hou Xiaodi and Dr. Ni Lionel Ming-shuan tendered resignation from the positions of independent non-executive directors in June 2022 and July 2022, respectively.
- (h) Mr. Hu Shiwei resigned from the position of a supervisor in July 2021.
- (i) Mr. Chai Yifei, Ms. Zhou Wenjing and Ms. Shao Liling were appointed as supervisors in July 2021.
- (j) Ms. Ke Yele was appointed as an independent non-executive director in August 2022.

(c) Directors' and supervisors' termination benefits

No termination benefits were paid or payable to the directors or supervisors during the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023.

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

No consideration provided to third parties for making available directors' or supervisors' services during the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023.

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

No loans, quasi-loans and other dealings in favor of directors or supervisors, controlled body corporates by and connected entities with such directors or supervisors subsisted as at December 31, 2020, 2021 and 2022 and March 31, 2023.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted as at December 31, 2020, 2021 and 2022 and March 31, 2023.

11 FINANCE INCOME AND FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Finance income:					
Interest income from bank deposits	2,709	24,416	46,103	7,539	12,429
Interest income from loan to a third party	3,329	–	–	–	–
Interest income from loan to a related party	–	–	80	–	–
	<u>6,038</u>	<u>24,416</u>	<u>46,183</u>	<u>7,539</u>	<u>12,429</u>
Finance costs:					
Interest expense on redemption liabilities (<i>Note 31</i>)	(186,240)	(638,682)	(670,963)	(158,684)	(190,778)
Interest expense on lease liabilities (<i>Note 14</i>)	(2,453)	(1,954)	(1,552)	(387)	(801)
Interest expense on borrowings	–	(713)	(1,225)	(15)	(668)
Amortized amounts on payable for acquisition of subsidiaries	–	(5,451)	(8,201)	(2,222)	(2,131)
Others	(285)	(311)	(234)	(85)	(67)
	<u>(188,978)</u>	<u>(647,111)</u>	<u>(682,175)</u>	<u>(161,393)</u>	<u>(194,445)</u>

12 INCOME TAX EXPENSES/(CREDIT)

The income tax expenses/(credit) of the Group for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 are analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Current income tax	–	3,743	2,180	202	63
Deferred income tax	727	6,626	(13,853)	(8,261)	(3,805)
Income tax expenses/(credit)	727	10,369	(11,673)	(8,059)	(3,742)

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Loss before income tax	(749,483)	(1,791,699)	(1,665,094)	(276,211)	(307,638)
Tax calculated at statutory income tax rate of 25% in mainland China <i>(Note (a))</i>	(187,371)	(447,925)	(416,274)	(69,053)	(76,910)
Tax effects of:					
– Effect of lower tax rates in other jurisdictions <i>(Notes (b), (c))</i>	3,557	10,586	1,946	446	346
– Preferential income tax rate applicable to subsidiaries <i>(Note (d))</i>	19,052	84,832	77,228	3,898	3,942
– Tax losses and temporary differences for which no deferred income tax assets was recognized	98,605	124,459	116,596	20,898	28,792
– Expenses not deductible for income tax purposes	75,148	264,611	236,310	40,536	48,667
– Super Deduction for research and development expenses <i>(Note (e))</i>	(5,912)	(15,483)	(22,874)	(4,520)	(7,552)
– Impact of share of results and net gains on disposal/transfer/dilution of investments accounted for using the equity method	(2,345)	(3,147)	(1,030)	(234)	71
– Utilization of previously unrecognized tax losses	(7)	(7,564)	(3,575)	(30)	(1,098)
Income tax expenses/(credit)	727	10,369	(11,673)	(8,059)	(3,742)

Notes:

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

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

- (b) Hong Kong income tax

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

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

- (c) Singapore income tax

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

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

- (d) Preferential EIT Rate

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

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

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

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

EpicHust Technology (Wuhan) Co., Ltd., a subsidiary acquired in June 2022 (Note 33(c)), was qualified as a HNTE in December 2020 and hence it enjoys a preferential income tax rate of 15% for three years from 2020 to 2022. EpicHust Technology (Wuhan) Co., Ltd. is in the progress of renewing the HNTE qualification in 2023.

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

- (e) Super Deduction for research and development expenses

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

(f) Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 upon their release on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023. The mandatory exception applies retrospectively and the retrospective application has no impact on the Historical Financial Information.

13 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective year/period. In determining the weighted average number of ordinary shares in issue, 400,000,000 shares issued on July 9, 2021, the date that the Company was converted into a joint stock company, are treated as if have been in issue since January 1, 2020, moreover, the contingently returnable shares, i.e. shares with preferred rights, are excluded from the calculation. The impact of excluded contingently returnable shares was 212,573,619 shares, 203,677,321 shares, 170,286,193 shares, 170,286,193 shares and 170,286,193 shares for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 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 the Group incurred losses for the respective years/periods, the potential ordinary shares, i.e. shares with preferred rights, were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 are the same as basic loss per share of the respective years/periods.

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
				<i>(Unaudited)</i>	
Loss attributable to owners of the Company (RMB'000)	(749,650)	(1,785,655)	(1,644,897)	(263,626)	(291,344)
Weighted average number of ordinary shares in issue (thousand shares) (a)	187,426	234,029	267,463	267,420	275,378
Basic and diluted loss per share for loss attributable to owners of the Company (expressed in RMB per share)	<u>(4.00)</u>	<u>(7.63)</u>	<u>(6.15)</u>	<u>(0.99)</u>	<u>(1.06)</u>

Note:

- (a) Weighted average number of ordinary shares in issue for the year ended December 31, 2022 and the three months ended March 31, 2023 were taken into account the effect of the contingently issuable ordinary shares (Note 26).

14 LEASES

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

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

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 are as follows, respectively:

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
At the beginning of the year/period	66,451	37,814	34,074	34,074	70,002
Additions	704	14,319	63,364	688	2,729
Acquisition of subsidiaries <i>(Note 33)</i>	–	7,899	174	–	–
Depreciation charge	(27,430)	(25,958)	(27,610)	(6,878)	(7,062)
Terminations	(1,911)	–	–	–	–
At the end of the year/period	37,814	34,074	70,002	27,884	65,669

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities as at December 31, 2020, 2021 and 2022 and March 31, 2023 are as follows, respectively:

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Current	21,185	24,364	28,311	27,912
Non-current	17,590	11,000	43,721	38,431
	38,775	35,364	72,032	66,343

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Depreciation charge of right-of-use assets <i>(Note 9)</i>	27,430	25,958	27,610	6,878	7,062
Interest expense <i>(Note 11)</i>	2,453	1,954	1,552	387	801
Expense relating to short-term leases and variable lease payments not included in lease liabilities	860	–	65	–	77

The total cash outflows for leases during the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 was RMB27,039,000, RMB27,479,000, RMB28,429,000, RMB6,732,000 and RMB9,219,000, respectively, including principal elements of lease payments of approximately RMB24,586,000, RMB25,525,000, RMB26,877,000, RMB6,345,000 and RMB8,418,000, respectively, and related interest paid of approximately RMB2,453,000, RMB1,954,000, RMB1,552,000, RMB387,000 and RMB801,000, during the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023, respectively.

15 PROPERTY AND EQUIPMENT

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

	Server and electronic equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2020					
Cost	14,747	20,928	5,839	2,725	44,239
Accumulated depreciation	(4,967)	(4,191)	(2,129)	–	(11,287)
Net book amount	9,780	16,737	3,710	2,725	32,952
Year ended December 31, 2020					
Opening net book amount	9,780	16,737	3,710	2,725	32,952
Additions	6,448	7,743	–	14,845	29,036
Transfer	–	–	17,570	(17,570)	–
Disposals	(128)	(99)	–	–	(227)
Depreciation charge (<i>Note 9</i>)	(4,968)	(4,275)	(4,860)	–	(14,103)
Closing net book amount	11,132	20,106	16,420	–	47,658
At December 31, 2020					
Cost	20,919	28,457	23,409	–	72,785
Accumulated depreciation	(9,787)	(8,351)	(6,989)	–	(25,127)
Net book amount	11,132	20,106	16,420	–	47,658
Year ended December 31, 2021					
Opening net book amount	11,132	20,106	16,420	–	47,658
Additions	3,872	7,121	–	4,481	15,474
Acquisition of subsidiaries (<i>Note 33</i>)	965	1,017	3,237	–	5,219
Transfer	–	–	3,874	(3,874)	–
Disposals	(89)	(2,107)	–	–	(2,196)
Depreciation charge (<i>Note 9</i>)	(5,812)	(5,834)	(4,702)	–	(16,348)
Closing net book amount	10,068	20,303	18,829	607	49,807
At December 31, 2021					
Cost	25,252	34,282	30,520	607	90,661
Accumulated depreciation	(15,184)	(13,979)	(11,691)	–	(40,854)
Net book amount	10,068	20,303	18,829	607	49,807

	Server and electronic equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended December 31, 2022					
Opening net book amount	10,068	20,303	18,829	607	49,807
Additions	6,219	7,153	1,881	291	15,544
Acquisition of subsidiaries	354	147	–	–	501
Transfer	–	–	898	(898)	–
Disposals	(661)	(7)	–	–	(668)
Depreciation charge (<i>Note 9</i>)	(4,900)	(6,384)	(5,479)	–	(16,763)
Closing net book amount	11,080	21,212	16,129	–	48,421
At December 31, 2022					
Cost	29,549	41,564	33,299	–	104,412
Accumulated depreciation	(18,469)	(20,352)	(17,170)	–	(55,991)
Net book amount	11,080	21,212	16,129	–	48,421
(Unaudited)					
Three months ended March 31, 2022					
Opening net book amount	10,068	20,303	18,829	607	49,807
Additions	1,449	1,455	1,245	–	4,149
Disposals	(4)	(16)	–	–	(20)
Depreciation charge (<i>Note 9</i>)	(1,649)	(1,230)	(1,361)	–	(4,240)
Closing net book amount	9,864	20,512	18,713	607	49,696
At March 31, 2022					
Cost	26,693	35,712	31,765	607	94,777
Accumulated depreciation	(16,829)	(15,200)	(13,052)	–	(45,081)
Net book amount	9,864	20,512	18,713	607	49,696
Three months ended March 31, 2023					
Opening net book amount	11,080	21,212	16,129	–	48,421
Additions	1,253	15	270	–	1,538
Disposals	(41)	(19)	–	–	(60)
Depreciation charge (<i>Note 9</i>)	(1,218)	(1,667)	(1,482)	–	(4,367)
Closing net book amount	11,074	19,541	14,917	–	45,532
At March 31, 2023					
Cost	30,735	41,399	33,569	–	105,703
Accumulated depreciation	(19,661)	(21,858)	(18,652)	–	(60,171)
Net book amount	11,074	19,541	14,917	–	45,532

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Research and development expenses	8,257	9,063	9,129	2,615	2,413
General and administrative expenses	4,479	5,539	5,960	1,135	1,445
Selling and marketing expenses	1,367	1,746	1,674	490	509
	<u>14,103</u>	<u>16,348</u>	<u>16,763</u>	<u>4,240</u>	<u>4,367</u>

16 INTANGIBLE ASSETS

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

	<u>Goodwill</u>	<u>Software and copyright</u>	<u>Technology</u>	<u>Customer relationship</u>	<u>Brand name</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended December 31, 2022						
Opening net book amount	259,727	20,497	37,105	71,695	6,365	395,389
Additions	–	976	–	–	–	976
Acquisition of subsidiaries (Note 33)	76,074	339	5,300	15,700	–	97,413
Amortization charge (Note 9)	–	(10,562)	(9,130)	(16,110)	(670)	(36,472)
Closing net book amount	<u>335,801</u>	<u>11,250</u>	<u>33,275</u>	<u>71,285</u>	<u>5,695</u>	<u>457,306</u>
At December 31, 2022						
Cost	335,801	38,533	48,300	97,200	6,700	526,534
Accumulated amortization	–	(27,283)	(15,025)	(25,915)	(1,005)	(69,228)
Net book amount	<u>335,801</u>	<u>11,250</u>	<u>33,275</u>	<u>71,285</u>	<u>5,695</u>	<u>457,306</u>
(Unaudited)						
Three months ended						
March 31, 2022						
Opening net book amount	259,727	20,497	37,105	71,695	6,365	395,389
Additions	–	35	–	–	–	35
Amortization charge (Note 9)	–	(2,719)	(2,150)	(3,635)	(168)	(8,672)
Closing net book amount	<u>259,727</u>	<u>17,813</u>	<u>34,955</u>	<u>68,060</u>	<u>6,197</u>	<u>386,752</u>
At March 31, 2022						
Cost	259,727	37,253	43,000	81,500	6,700	428,180
Accumulated amortization	–	(19,440)	(8,045)	(13,440)	(503)	(41,428)
Net book amount	<u>259,727</u>	<u>17,813</u>	<u>34,955</u>	<u>68,060</u>	<u>6,197</u>	<u>386,752</u>
Three months ended						
March 31, 2023						
Opening net book amount	335,801	11,250	33,275	71,285	5,695	457,306
Additions	–	165	–	–	–	165
Amortization charge (Note 9)	–	(2,351)	(2,415)	(4,420)	(168)	(9,354)
Closing net book amount	<u>335,801</u>	<u>9,064</u>	<u>30,860</u>	<u>66,865</u>	<u>5,527</u>	<u>448,117</u>
At March 31, 2023						
Cost	335,801	38,698	48,300	97,200	6,700	526,699
Accumulated amortization	–	(29,634)	(17,440)	(30,335)	(1,173)	(78,582)
Net book amount	<u>335,801</u>	<u>9,064</u>	<u>30,860</u>	<u>66,865</u>	<u>5,527</u>	<u>448,117</u>

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

	Year ended December 31,			Three months ended	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
General and administrative expenses	3,709	6,280	9,689	2,427	2,205
Research and development expenses	2,073	9,486	9,397	2,184	2,434
Selling and marketing expenses	–	10,106	17,386	4,061	4,715
	<u>5,782</u>	<u>25,872</u>	<u>36,472</u>	<u>8,672</u>	<u>9,354</u>

Impairment of goodwill

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

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

CGU of Guangzhou Jianxin

The impairment reviews of the goodwill arising from the acquisition of Guangzhou Jianxin in March 2021 have been conducted by the management as at December 31, 2021 and 2022 and March 31, 2023. For the purposes of the impairment review, the recoverable amount of the CGU of Guangzhou Jianxin is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of Guangzhou Jianxin, management forecasted that the revenue compound annual growth rate in the five-year period from the balance sheet date of December 31, 2021 and 2022 and March 31, 2023 was 16.2%, 11.4% and 8.3%, respectively, and the cash flows beyond the five-year period were extrapolated using the estimated annual growth rates (“terminal growth rate”) of 3.0%. Pre-tax discount rate of 20.9%, 20.8% and 20.6% was used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment review as at December 31, 2021 and 2022 and March 31, 2023, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of Guangzhou Jianxin exceeded its carrying amount by approximately RMB34,180,000, RMB89,429,000 and RMB126,465,000 as at December 31, 2021 and 2022 and March 31, 2023, respectively, and management therefore concluded such goodwill was not impaired. The directors of the Company have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the CGU of Guangzhou Jianxin exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2021, had there been a reduction of the revenue compound annual growth rate of the first five years by 4.3 percentage point, a reduction of terminal growth rate by 3.9 percentage point, or an increase in pre-tax discount rate by 1.5 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Guangzhou Jianxin would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 11.3 percentage point, a reduction of terminal growth rate by 15.6 percentage point, or an increase in pre-tax discount rate by 4.3 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Guangzhou Jianxin would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at March 31, 2023, had the revenue compound annual growth rate of the first five years been 5% lower, the terminal growth rate been 1% lower or the pre-tax discount rate been 1% higher each in isolation, the remaining headroom would be decreased to RMB8,149,000, RMB116,119,000 and RMB100,516,000, respectively.

CGU of Ideal Technology

The impairment reviews of the goodwill arising from the acquisition of Ideal Technology in June 2021 have been conducted by the management as at December 31, 2021 and 2022 and March 31, 2023. For the purposes of the impairment review, the recoverable amount of the CGU of Ideal Technology is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of Ideal Technology, management forecasted that the revenue compound annual growth rate in the five-year period from the balance sheet date of December 31, 2021 and 2022 and March 31, 2023 was 26.0%, 23.4% and 23.9%, respectively, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 3.0%. Pre-tax discount rate of 17.6%, 17.6% and 17.6% was used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment reviews as at December 31, 2021 and 2022 and March 31, 2023, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of Ideal Technology exceeded its carrying amount by approximately RMB34,793,000, RMB39,243,000 and RMB43,959,000 as at December 31, 2021 and 2022 and March 31, 2023, respectively, and management therefore concluded such goodwill was not impaired. The directors of the Company have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the CGU of Ideal Technology exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2021, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.6 percentage point, a reduction of terminal growth rate by 1.4 percentage point, or an increase in pre-tax discount rate by 1.1 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.9 percentage point, a reduction of terminal growth rate by 1.6 percentage point, or an increase in pre-tax discount rate by 1.3 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at March 31, 2023, had there been a reduction of the revenue compound annual growth rate of the first five years by 2.8 percentage point, a reduction of terminal growth rate by 2.5 percentage point, or an increase in pre-tax discount rate by 1.6 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of Ideal Technology would be closed to the breakeven point.

CGU of EpicHust

The impairment review of the goodwill arising from the acquisition of EpicHust in June 2022 has been conducted by the management as at December 31, 2022 and March 31, 2023. For the purposes of the impairment review, the recoverable amount of the CGU of EpicHust is determined based on VIU calculations by using the discounted cash flow method. For goodwill related to acquisition of EpicHust, management forecasted that the revenue compound annual growth rate in the five-year period from the balance sheet date of December 31, 2022 and March 31, 2023 was 13.3% and 12.1%, respectively, and the cash flows beyond the five-year period were extrapolated using a terminal growth rate of 3.0%. Pre-tax discount rate of 20.4% and 21.5% was used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment reviews as at December 31, 2022 and March 31, 2023, respectively. The values assigned to the key assumptions and discount rates are consistent with external information sources. The estimated recoverable amount of the CGU of EpicHust exceeded its carrying amount by approximately RMB3,980,000 and RMB7,670,000 as at December 31, 2022 and March 31, 2023, respectively, and management therefore concluded such goodwill was not impaired. As the Group just acquired EpicHust on June 30, 2022 and the acquisition consideration was determined on an arm's length basis, the directors of the Company considered that it is remote for any reasonably possible changes in key parameters that would exceed the percentage points as disclosed in the sensitivity analysis below and therefore concluded that any reasonably possible changes in those key parameters would not cause the carrying amount of the CGU of EpicHust exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 0.7 percentage point, a reduction of terminal growth rate by 0.6 percentage point, or an increase in pre-tax discount rate by 0.4 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of EpicHust would be closed to the breakeven point. For sensitivity analysis conducted during the impairment review as at March 31, 2023, had there been a reduction of the revenue compound annual growth rate of the first five years by 1.7 percentage point, a reduction of terminal growth rate by 1.6 percentage point, or an increase in pre-tax discount rate by 0.9 percentage point in the VIU calculations each in isolation, the recoverable amount of the CGU of EpicHust would be closed to the breakeven point.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments accounted for using the equity method				
– Associates	69,898	101,092	45,865	45,188
– Joint ventures	16,740	14,081	–	–
	<u>86,638</u>	<u>115,173</u>	<u>45,865</u>	<u>45,188</u>

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	68,357	86,638	115,173	115,173	45,865
Additions	30,000	15,000	6,224	–	–
Disposals (Note (a))	(14,188)	–	(5,719)	–	–
Transfers (Note (b))	–	–	(72,415)	–	–
Share of (losses)/profits	(6,477)	3,802	(3,200)	538	(791)
Share of other comprehensive income/(loss)	–	9,160	4,345	895	(266)
Dividends	–	(7,513)	–	–	–
Increase in share of net assets due to the dilution gains (Note (c))	8,946	8,086	1,457	–	380
At the end of the year/period	86,638	115,173	45,865	116,606	45,188

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

Notes:

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

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

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

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

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

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

Dilution gains of RMB1,596,000, RMB1,457,000 and RMB380,000 was recognized due to the capital contribution injected by the new shareholders of Beijing Juyun Weizhi Information Technology Co., Ltd. (“Juyun”, an associate) in July 2021, August 2022 and March 2023, respectively. As a result, the equity interests held by the Group was diluted from 4.35% to 3.81%, 3.81% to 3.60% and further to 3.55%, respectively. Juyun has been accounted for as an associate as the Group has significant influence through its board representative in Juyun and other relevant facts and circumstances, even though the Group’s equity interests in Juyun is below 20%.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Assets as per balance sheets				
Financial assets at fair value through profit or loss:				
– Wealth management products (Note 19)	174,408	2,535,763	1,330,166	611,709
– Unlisted equity securities (Note 19)	9,804	19,065	77,173	77,173
– Preferred shares investments (Note 19)	–	17,000	23,992	23,992
– Fund investments (Note 19)	11,132	210,063	376,724	379,100
Financial assets at amortized cost:				
– Trade receivables (Note 21)	262,699	778,321	1,493,238	1,493,952
– Prepayments and other receivables (excluding prepayments to suppliers, deductible value-added input tax and listing expenses to be capitalized) (Note 22 (a))	21,180	78,829	74,580	73,841
– Long-term bank deposits (Note 23 (c))	–	510,203	685,039	789,973
– Short-term bank deposits (Note 23 (c))	95,602	20,000	–	–
– Restricted cash (Note 23 (b))	18,201	8,010	6,916	5,291
– Cash and cash equivalents (Note 23 (a))	1,052,073	1,292,686	1,326,818	1,425,288
	<u>1,645,099</u>	<u>5,469,940</u>	<u>5,394,646</u>	<u>4,880,319</u>
Liabilities as per balance sheets				
Financial liabilities at amortized cost:				
– Trade payables (Note 27)	84,968	321,357	863,234	619,524
– Other payables and accruals (excluding payroll payables and other taxes payables) (Note 28)	3,105	68,844	69,941	62,078
– Borrowings (Note 30)	–	18,752	72,554	84,599
– Redemption liabilities (Note 31)	2,147,031	5,822,196	6,493,159	6,683,937
– Payable for acquisition of subsidiaries (Note 32)	–	106,306	95,175	97,306
Lease liabilities (Note 14)	38,775	35,364	72,032	66,343
	<u>2,273,879</u>	<u>6,372,819</u>	<u>7,666,095</u>	<u>7,613,787</u>

19 INVESTMENTS

Group

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Non-current assets				
Long-term investments measured at fair value through profit or loss				
– Unlisted equity securities (i)	9,804	19,065	77,173	77,173
– Preferred shares investments (ii)	–	17,000	23,992	23,992
– Fund investments (iii)	11,132	210,063	376,724	221,092
	<u>20,936</u>	<u>246,128</u>	<u>477,889</u>	<u>322,257</u>
Current assets				
Short-term investments measured at fair value through profit or loss				
– Wealth management products (iv)	174,408	2,535,763	1,330,166	611,709
– Fund investments (iii)	–	–	–	158,008
	<u>174,408</u>	<u>2,535,763</u>	<u>1,330,166</u>	<u>769,717</u>

(i) Unlisted equity securities

The following table presents the changes in long-term investments in unlisted equity securities measured at fair value through profit or loss for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023. These investments are within level 3 of the fair value hierarchy (Note 3.3).

	Year ended December 31,			Three months ended	
	2020	2021	2022	March 31,	
	RMB'000	RMB'000	RMB'000	2022	2023
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
At the beginning of the year/period	–	9,804	19,065	19,065	77,173
Additions	7,300	8,800	–	–	–
Transfers (<i>Note 17(b)</i>)	–	–	55,398	–	–
Changes in fair value	2,504	461	2,710	–	–
At the end of the year/period	<u>9,804</u>	<u>19,065</u>	<u>77,173</u>	<u>19,065</u>	<u>77,173</u>

(ii) Preferred shares investments

The preferred shares investments in the investee are ordinary shares with preferential rights. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at fair value through profit or loss. These investments are within level 3 of the fair value hierarchy (Note 3.3).

(iii) Fund investments

The Group invested in funds which focus on equity investment in unlisted companies. The returns of the funds are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. The Group determines the fair values of the fund investments as at the reporting date based on the reported net asset values of the funds. These investments are within level 3 of the fair value hierarchy (Note 3.3).

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

In September 2022, the Group invested RMB160,000,000 in a private fund, Ruiyuan Value No. 3 Private Equity Investment Fund. Shenzhen Qianhai Ruijing Kaiyuan Capital Management Co., Ltd. and Citic Securities Company Limited are the fund manager and the fund trustee, respectively. The Group has no significant influence over the fund and the fund manager and the Group can redeem its fund shares after a lockup period of 540 days. As at March 31, 2023, following the cancellation of the lockup period by the fund manager, this fund investment was classified to current assets as the management planned to withdraw it within one year.

(iv) Wealth management products

The wealth management products are mainly denominated in RMB and have expected rates of return ranging from 1.63% to 6.25%, 2.20% to 4.74%, 1.60% to 4.43%, 2.20% to 4.00% and 2.70% to 4.00% per annum for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023, respectively. The returns on all these wealth management products are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. None of these investments are past due.

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

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value changes on long-term investments measured at fair value through profit or loss	5,882	(608)	(2,173)	(621)	2,376
Fair value changes on short-term investments measured at fair value through profit or loss	12,480	85,632	53,529	18,628	6,184
	<u>18,362</u>	<u>85,024</u>	<u>51,356</u>	<u>18,007</u>	<u>8,560</u>

Company

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Non-current assets				
Long-term investments measured at fair value through profit or loss				
– Fund investments	–	–	157,449	–
Current asset				
Short-term investments measured at fair value through profit or loss				
– Wealth management products	58,066	1,036,180	–	–
– Fund investments	–	–	–	158,008
	<u>58,066</u>	<u>1,036,180</u>	<u>–</u>	<u>158,008</u>

20 INVENTORIES

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Finished goods	3,187	20,633	99,397	86,029
Contract fulfilment cost	24,999	165,786	252,269	322,543
	28,186	186,419	351,666	408,572
Less: provision for impairment	–	(1,920)	(1,794)	(212)
	<u>28,186</u>	<u>184,499</u>	<u>349,872</u>	<u>408,360</u>

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

Provision for impairment was recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in "cost of sales" in the consolidated statements of comprehensive income. Provision for impairment movements for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 are as below:

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At the beginning of the year/period	–	–	(1,920)	(1,920)	(1,794)
Provision for impairment	–	(1,920)	(1,125)	–	(52)
Written off	–	–	1,251	512	1,634
At the end of the year/period	<u>–</u>	<u>(1,920)</u>	<u>(1,794)</u>	<u>(1,408)</u>	<u>(212)</u>

21 TRADE RECEIVABLES

	As at December 31,			As at March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Third parties	266,643	796,261	1,554,420	1,553,318
Related parties	1,366	2,221	–	–
	268,009	798,482	1,554,420	1,553,318
Less: credit loss allowance	<u>(5,310)</u>	<u>(20,161)</u>	<u>(61,182)</u>	<u>(59,366)</u>
	<u>262,699</u>	<u>778,321</u>	<u>1,493,238</u>	<u>1,493,952</u>

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

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At the beginning of the year/period	(3,251)	(5,310)	(20,161)	(20,161)	(61,182)
Credit loss allowance (recognized)/reversed, net	(2,059)	(14,851)	(43,695)	365	(5,456)
Receivables written off as uncollectable	–	–	2,674	–	7,272
At the end of the year/period	<u>(5,310)</u>	<u>(20,161)</u>	<u>(61,182)</u>	<u>(19,796)</u>	<u>(59,366)</u>

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

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade receivables				
Up to 3 months	126,601	403,264	957,044	552,954
3 to 6 months	87,412	231,336	278,486	562,433
6 months to 1 year	24,432	128,141	130,321	238,327
Over 1 year	29,564	35,741	188,569	199,604
	<u>268,009</u>	<u>798,482</u>	<u>1,554,420</u>	<u>1,553,318</u>

The credit loss allowance of trade receivables as at December 31, 2020, 2021 and 2022 and March 31, 2023 were determined as follows:

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

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

As at December 31, 2021			
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
<i>in thousands, except for percentages</i>			
For credit loss allowance measured by aging			
– Up to 1 year	153,311	2.98%	4,566
– 1 year to 2 years	25,388	6.46%	1,640
– Over 2 years	3,268	39.11%	1,278
	<u>181,967</u>	<u>4.11%</u>	<u>7,484</u>
	<u>798,482</u>	<u>2.52%</u>	<u>20,161</u>
As at December 31, 2022			
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
<i>in thousands, except for percentages</i>			
For credit loss allowance measured individually (Note (a))	<u>255,512</u>	<u>12.12%</u>	<u>30,969</u>
For credit loss allowance measured by industry			
– Telecommunication, computer and software	657,222	1.51%	9,919
– Education, science and technology	308,740	1.75%	5,413
– Wholesale and retail	27,208	4.30%	1,170
– Leasing and business services	1,931	0.78%	15
– Manufacturing	3,155	4.25%	134
– Others	30,752	1.64%	505
	<u>1,029,008</u>	<u>1.67%</u>	<u>17,156</u>
For credit loss allowance measured by aging			
– Up to 1 year	209,998	2.77%	5,818
– 1 year to 2 years	50,498	6.84%	3,452
– Over 2 years	9,404	40.27%	3,787
	<u>269,900</u>	<u>4.84%</u>	<u>13,057</u>
	<u>1,554,420</u>	<u>3.94%</u>	<u>61,182</u>

Note:

- (a) The expected credit loss for the customers with external credit rating and the credit-impaired receivables are assessed and measured individually. As at December 31, 2022, more trade receivables became credit-impaired comparing with those as at December 31, 2021 due to the unfavourable impact of the COVID-19. Accordingly, the average expected credit loss rate for those trade receivables with credit loss allowance measured individually has been increased significantly as at December 31, 2022.

	As at March 31, 2023		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		
For credit loss allowance measured individually	236,270	11.14%	26,314
For credit loss allowance measured by industry			
– Telecommunication, computer and software	808,462	1.61%	13,037
– Education, science and technology	214,337	1.84%	3,936
– Wholesale and retail	14,431	4.39%	634
– Leasing and business services	676	1.04%	7
– Manufacturing	2,680	4.37%	117
– Others	29,286	1.57%	461
	1,069,872	1.70%	18,192
For credit loss allowance measured by aging			
– Up to 1 year	170,126	3.74%	6,370
– 1 year to 2 years	68,710	7.48%	5,138
– Over 2 years	8,340	40.19%	3,352
	247,176	6.01%	14,860
	1,553,318	3.82%	59,366

22 PREPAYMENTS AND OTHER RECEIVABLES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Prepayments and other receivables

Group

	As at December 31,			As at March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to suppliers	130,061	100,861	176,516	197,857
Deductible value-added input tax	18,739	46,631	80,001	103,664
Rental, bidding and other deposits	9,034	16,454	17,491	16,926
Interest receivables	7,027	2,722	61	3
Listing expenses to be capitalized (Note (ii))	–	45,681	48,967	13,384
Other receivable from a third party customer (Note (i))	–	50,959	47,000	47,000
Others	5,119	8,694	10,028	9,912
	169,980	272,002	380,064	388,746

As at December 31, 2020, 2021 and 2022 and March 31, 2023, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates. The expected credit losses of other receivables that are measured at amortized cost including deposits and other receivable from a third party customer were measured as either 12 months or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. Except for the balance of other receivable from a third party customer as at December 31, 2022 and March 31, 2023 of which the expected credit loss was measured on lifetime basis due to the receivable had been long past due, all of the Group's other receivables as at December 31, 2020, 2021 and 2022 and March 31, 2023 were considered to be of low credit risk, and thus the impairment provision recognized was limited to 12 months expected losses.

Notes:

- (i) During the year ended December 31, 2021, the Group cooperated with a hardware supplier to deliver software and hardware together to a customer. Pursuant to the sales agreement with the customer, the Group only acts as an agent for purchasing certain hardware (the "hardware component") on behalf of the customer while acts as a principal in delivering the software to the customer. As at December 31, 2021, the entire project was completed and both the Group and the hardware supplier had fulfilled their performance obligations under the respective sales and purchase contracts. Therefore, the Group's amounts recoverable from the customer and the Group's amounts payable to the hardware supplier in connection with the hardware component have been recognized as other receivables and other payables (Note 28), respectively in the consolidated balance sheet. As at March 31, 2023, the other receivables and other payables have not been settled.
- (ii) In accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies published and implemented by the China Securities Regulatory Commission (the "CSRC") on November 14, 2019, the issued domestic unlisted shares of any H-share companies could only be listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") subsequent to the CSRC's approval.

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

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

Company

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Listing expenses to be capitalized	–	45,681	48,967	13,384
Others	996	5,133	1,626	2,476
	996	50,814	50,593	15,860

(b) **Amounts due from subsidiaries**

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

23 CASH AND BANK BALANCES**(a) Cash and cash equivalents**

Cash and cash equivalents are denominated in the following currencies:

Group

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
RMB	950,133	1,288,283	1,308,212	1,412,586
USD	100,758	3,971	14,983	9,388
HKD	714	310	1,680	1,604
SGD	408	111	1,935	1,696
EUR	60	11	8	14
	<u>1,052,073</u>	<u>1,292,686</u>	<u>1,326,818</u>	<u>1,425,288</u>

Company

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
RMB	872,928	575,006	585,038	584,589
USD	97,905	13	15	14
	<u>970,833</u>	<u>575,019</u>	<u>585,053</u>	<u>584,603</u>

(b) Restricted cash

Restricted cash are denominated in the following currencies:

Group

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
RMB	<u>18,201</u>	<u>8,010</u>	<u>6,916</u>	<u>5,291</u>

As at December 31, 2020, 2021 and 2022 and March 31, 2023, restricted cash was held at bank as security deposits mainly for bidding, issuance of letter of guarantee or bank acceptance bills.

(c) Term bank deposits

Term bank deposits are all denominated in RMB:

Group

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
Short-term bank deposits	95,602	20,000	–	–
Long-term bank deposits	–	510,203	685,039	789,973
	95,602	530,203	685,039	789,973

Short-term bank deposits are bank deposits with original maturities over three months but within twelve months and redeemable on maturity. Long-term bank deposits are bank deposits with original maturities over twelve months and redeemable on maturity. The effective interest rates for the short-term bank deposits were 2.28% per annum and 1.98% to 2.28% per annum for the years ended December 31, 2020 and 2021, respectively. The effective interest rate for the long-term bank deposits was 3.80% per annum, 2.50% to 3.90% per annum and 2.50% to 3.90% per annum for the years ended December 31, 2021 and 2022 and the three months ended March 31, 2023, respectively.

24 SHARE CAPITAL/PAID-IN CAPITAL

Group and Company

(a) Paid-in capital

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

(b) Share capital

	Number of ordinary shares	Nominal value of ordinary shares
		RMB'000
Authorized and issued:		
At January 1, 2021	–	–
Issuance of ordinary shares upon conversion into a joint stock company (Note (i))	400,000,000	400,000
Capital contribution from shareholders (Note (ii))	37,705,989	37,706
At December 31, 2021 and 2022	437,705,989	437,706
At January 1, 2023	437,705,989	437,706
Capital contribution from shareholders (Note (iii))	13,537,299	13,537
Repurchase and cancellation of shares (Note (iii))	(5,578,755)	(5,578)
At March 31, 2023	445,664,533	445,665

Notes:

- (i) On July 9, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at May 31, 2021, the conversion base date, amounting to approximately RMB954,290,000 were converted into 400,000,000 ordinary shares at RMB1 each, share capital of RMB400,000,000 was recorded accordingly.
- (ii) After the conversion into a joint stock company, the Company completed its Series D+ and Series D+2 financing and the foreign exchange registration procedures for the Series D financing, the share capital of the Company has then been increased by approximately RMB37,706,000 accordingly (with a total number of 37,705,989 ordinary shares being issued).
- (iii) The capital increase and shares repurchase during the three months ended March 31, 2023 were in relation to the 2022 share award scheme as described in Note 26.

25 TREASURY STOCK AND RESERVES

Group

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

	Reserves					Total
	Treasury stock <i>(Note (a))</i>	Capital reserve	Share-based payment reserve	Currency translation reserve <i>(Note (b))</i>	Other reserve	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)						
Balance at January 1, 2022	(4,898,094)	5,474,936	1,156,722	3,016	9,160	6,643,834
Currency translation differences	-	-	-	459	-	459
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	895	895
Balance at March 31, 2022	(4,898,094)	5,474,936	1,156,722	3,475	10,055	6,645,188
Balance at January 1, 2023	(4,898,094)	5,466,480	1,590,125	(4,146)	10,875	7,063,334
Currency translation differences	-	-	-	634	-	634
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 March 31, 2023	(4,898,094)	5,392,563	1,590,125	(3,512)	10,609	6,989,785

Notes:

- (a) Treasury stock is recorded to reflect the carrying amount of the redemption liabilities when it is initially reclassified from equity (Note 31).
- (b) Currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.
- (c) During the year ended December 31, 2021, the Company completed its Series D, Series D+ and Series D+2 financing and the total net proceeds raised in excess of the nominal value of the paid-in capital/share capital issued of approximately RMB5,000,884,000 has been credited to the Company's capital reserve.

Company

	Reserves				Total
	Treasury stock	Capital reserve	Share-based payment reserve	Other reserve	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2020	(1,313,614)	1,527,113	6,253	–	1,533,366
Capital contribution from shareholders	–	476,242	–	–	476,242
Recognition of redemption liabilities	(432,610)	–	–	–	–
Share-based payments	–	–	522	–	522
Balance at December 31, 2020	<u>(1,746,224)</u>	<u>2,003,355</u>	<u>6,775</u>	<u>–</u>	<u>2,010,130</u>
Balance at January 1, 2021	(1,746,224)	2,003,355	6,775	–	2,010,130
Capital contribution from shareholders	–	5,000,884	–	–	5,000,884
Conversion into a joint stock company	–	(1,644,690)	(49,938)	–	(1,694,628)
Recognition of redemption liabilities	(4,848,767)	–	–	–	–
Derecognition of redemption liabilities	1,696,897	115,387	–	–	115,387
Share-based payments	–	–	43,163	–	43,163
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	9,160	9,160
Balance at December 31, 2021 and March 31, 2022 (Unaudited)	<u>(4,898,094)</u>	<u>5,474,936</u>	<u>–</u>	<u>9,160</u>	<u>5,484,096</u>
Balance at January 1, 2022	(4,898,094)	5,474,936	–	9,160	5,484,096
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	1,697	1,697
Balance at December 31, 2022	<u>(4,898,094)</u>	<u>5,474,936</u>	<u>–</u>	<u>10,857</u>	<u>5,485,793</u>
Balance at January 1, 2023	(4,898,094)	5,474,936	–	10,857	5,485,793
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)
Balance at March 31, 2023	<u>(4,898,094)</u>	<u>5,402,621</u>	<u>–</u>	<u>10,591</u>	<u>5,413,212</u>

26 SHARE-BASED PAYMENTS

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

Share option schemes**(a) Employee incentive scheme to co-founders – the Scheme 2016**

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

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

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

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

The eligible participants are granted rewards conditional upon the achievement of a performance condition and remaining in the Group’s employment until that performance condition is satisfied. The length of the vesting period varies depending on when that performance condition is satisfied, the Company estimates the length of the expected vesting period at grant date, based on the most likely outcome of the performance condition. Basing on historical individual performance evaluation results of those eligible participants and considering the performance condition not difficult to meet, the Scheme 2018 has graded vesting terms and vest in different schedules from the grant date over 1 year, 3 years, 3.5 years and 4 years. For vesting schedule as one year, all granted rewards are vested on the first anniversary of the grant date. For vesting schedule as 3 years, 50% of the aggregate number of granted rewards are vested on the first anniversary of the grant date, 25% of granted rewards are vested on the second anniversary of the grant date, and the remaining granted rewards are vested on the third anniversary of the grant date. For vesting schedule as 3.5 years, 25% of the aggregate number of granted rewards are vested on the first half year of the grant date, every 25% of granted rewards are vested on the remaining 3 years. For vesting schedule as 4 years, the granted rewards are vested through 4 years with 10% to 60% vested each year unequally to eligible participants. 17,307,015 and 37,446,539 share options were granted for the years ended December 31, 2020 and 2021, respectively, and no share options were granted for the year ended December 31, 2022 and the three months ended March 31, 2023.

(c) Modifications of the Scheme 2018

On April 25, 2021, the Employee Incentive Platform modified the terms and conditions on which the rewards granted in the Scheme 2018, primarily included: (i) the service and performance vesting conditions in the Scheme 2018 were cancelled, therefore, the Group accounted for the cancellation as an acceleration of vesting conditions, and therefore recognized immediately a share-based payment expense of RMB461,400,000 to profit or loss; (ii) the exercise price per share increased from nil in the Scheme 2018 to RMB35.87 per the underlying share of the Company and as a compensation of the increase exercise price, the eligible participants obtained the additional number of the Company’s shares. This modified term would be not otherwise beneficial to the employees, the Group therefore continued to account for the share-based payment as if that modification had not occurred. A total of 290,984,768 share options accelerated vested in May, 2021, and there is no outstanding share option as at December 31, 2021 and 2022 and March 31, 2023.

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

	Number of share options
Outstanding as at January 1, 2020	240,249,219
Granted	17,307,015
Forfeited	(2,868,013)
Outstanding as at December 31, 2020	254,688,221
Outstanding as at January 1, 2021	254,688,221
Granted	37,446,539
Forfeited	(1,149,992)
Exercised	(290,984,768)
Outstanding as at December 31, 2021 and 2022 and March 31, 2023	–

Fair value of share options

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

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
				<i>(Unaudited)</i>	
Fair value per share option (RMB)	7.28-8.35	8.35-9.77	N/A	N/A	N/A
Exercise price (RMB)	–	–	N/A	N/A	N/A
Risk-free interest rate	2.59%- 3.15%	3.10%- 3.19%	N/A	N/A	N/A
Dividend yield	–	–	N/A	N/A	N/A
Expected volatility	50%-51%	50%	N/A	N/A	N/A

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

Share award scheme

Employee incentive scheme of Nanjing Paradigm - the Scheme 2022

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

During the three months ended March 31, 2023, the Company issued 13,537,299 ordinary shares to Nanjing Paradigm as the share capital contributed from eligible participants with shares awarded in December 2022, and then repurchased 5,578,755 ordinary shares from Nanjing Paradigm to facilitate the consideration and individual income tax should be paid or borne by eligible participants.

Fair value of awarded shares

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

The total expenses recognized in profit and loss for the aforementioned share-based payments are RMB173,665,000, RMB560,721,000, RMB433,403,000, nil and nil for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023, respectively.

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

27 TRADE PAYABLES

Trade payables primarily include payables for inventories and outsourcing service fees. As at December 31, 2020, 2021 and 2022 and March 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 December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Up to 3 months	79,059	216,443	710,871	268,935
3 to 6 months	5,906	53,964	65,314	223,688
Over 6 months	3	50,950	87,049	126,901
	84,968	321,357	863,234	619,524

28 OTHER PAYABLES AND ACCRUALS

Group

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Payroll payables	50,763	75,301	118,223	83,295
Listing expenses payables	–	17,313	28,274	25,884
Other taxes payables	19,498	39,718	37,997	23,761
Expense reimbursement	921	6,178	6,998	2,471
Payable to a third party hardware supplier (Note 22(a)(i))	–	31,000	32,300	32,300
Accrual expenses and others	2,184	14,353	2,369	1,423
	73,366	183,863	226,161	169,134

Company

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
Amount due to a subsidiary	5,112	5,786	1,931	1,892
Payroll payables	1,197	–	–	–
Listing expenses payables	–	17,313	28,274	25,884
Accrual expenses and others	27	11,190	1	4
	<u>6,336</u>	<u>34,289</u>	<u>30,206</u>	<u>27,780</u>

The carrying amounts of other payables approximated their fair values as at December 31, 2020, 2021 and 2022 and March 31, 2023. The other payables were primarily denominated in RMB.

29 DEFERRED INCOME TAXES

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

The amounts of offsetting deferred income tax assets and liabilities are nil, nil, RMB5,650,000 and RMB8,164,000 as at December 31, 2020, 2021 and 2022 and March 31, 2023, respectively. The analysis of deferred income tax assets and liabilities before offsetting is as follows:

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
Deferred income tax assets:				
– to be recovered after 12 months	–	–	4,556	4,965
– to be recovered within 12 months	–	–	1,094	3,199
	<u>–</u>	<u>–</u>	<u>5,650</u>	<u>8,164</u>
Deferred income tax liabilities:				
– to be settled after 12 months	(889)	(14,592)	(13,977)	(12,679)
– to be settled within 12 months	(106)	(10,435)	(5,997)	(6,004)
	<u>(995)</u>	<u>(25,027)</u>	<u>(19,974)</u>	<u>(18,683)</u>

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

	Year ended December 31,			Three months ended	
	2020	2021	2022	March 31,	
	RMB'000	RMB'000	RMB'000	2022	2023
				<i>(Unaudited)</i>	
At the beginning of the year/period	–	–	–	–	5,650
Acquisitions of subsidiaries (Note 33)	–	2,274	–	–	–
(Charged)/credited to profit or loss	–	(2,274)	5,650	4,160	2,514
At the end of the year/period	<u>–</u>	<u>–</u>	<u>5,650</u>	<u>4,160</u>	<u>8,164</u>

Deferred income tax assets are recognized for deductible temporary differences and tax losses to the extent that the realization of the related tax benefits through future taxable profits is probable. As at December 31, 2020, 2021 and 2022 and March 31, 2023, the Group did not recognize deferred income tax assets of RMB253,272,000, RMB374,912,000, RMB478,239,000 and RMB493,361,000, respectively, in respect of deductible temporary differences and cumulative tax losses amounting to RMB1,159,224,000, RMB1,894,390,000, RMB2,493,785,000 and RMB2,540,973,000, respectively, that can be carried forward against future taxable income. As at December 31, 2020, 2021 and 2022 and March 31, 2023, tax losses of RMB35,881,000, RMB62,161,000, RMB85,718,000, and RMB89,977,000, can be carried forward indefinitely, respectively, and the remaining tax losses of RMB1,111,620,000, RMB1,803,860,000, RMB2,317,620,000 and RMB2,419,204,000 will expire within 5 or 10 years from the respective balance sheet dates.

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

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	(268)	(995)	(25,027)	(25,027)	(19,974)
(Charged)/credited to profit or loss	(727)	(4,352)	8,203	4,101	1,291
Acquisitions of subsidiaries (Note 33)	–	(19,680)	(3,150)	–	–
At the end of the year/period	(995)	(25,027)	(19,974)	(20,926)	(18,683)

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

Deferred income tax assets:

	Credit loss allowance	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2020 and December 31, 2020	–	–	–
Acquisitions of subsidiaries (Note 33)	798	1,476	2,274
Charged to profit or loss	(798)	(1,476)	(2,274)
At December 31, 2021	–	–	–
At January 1, 2022	–	–	–
Credited to profit or loss	–	5,650	5,650
At December 31, 2022	–	5,650	5,650
(Unaudited)			
At January 1, 2022	–	–	–
Credited to profit or loss	–	4,160	4,160
At March 31, 2022	–	4,160	4,160
At January 1, 2023	–	5,650	5,650
Credited to profit or loss	–	2,514	2,514
At March 31, 2023	–	8,164	8,164

Deferred income tax liabilities:

	Fair value changes of financial assets	Intangible assets acquired in business combination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2020	(268)	–	(268)
Charged to profit or loss	(727)	–	(727)
At December 31, 2020	(995)	–	(995)
At January 1, 2021	(995)	–	(995)
(Charged)/credited to profit or loss	(6,757)	2,405	(4,352)
Acquisitions of subsidiaries (<i>Note 33</i>)	–	(19,680)	(19,680)
At December 31, 2021	(7,752)	(17,275)	(25,027)
At January 1, 2022	(7,752)	(17,275)	(25,027)
Credited to profit or loss	4,316	3,887	8,203
Acquisitions of subsidiaries (<i>Note 33</i>)	–	(3,150)	(3,150)
At December 31, 2022	(3,436)	(16,538)	(19,974)
(Unaudited)			
At January 1, 2022	(7,752)	(17,275)	(25,027)
Credited to profit or loss	3,208	893	4,101
At March 31, 2022	(4,544)	(16,382)	(20,926)
At January 1, 2023	(3,436)	(16,538)	(19,974)
Credited to profit or loss	240	1,051	1,291
At March 31, 2023	(3,196)	(15,487)	(18,683)

30 BORROWINGS

	As at December 31,			As at March 31,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Included in current liabilities				
Secured borrowings (<i>Note (a)</i>)	–	–	11,000	13,800
Factoring borrowings	–	3,752	5,894	5,639
Unsecured borrowings (<i>Note (b)</i>)	–	–	31,660	41,660
	–	3,752	48,554	61,099
Included in non-current liabilities				
Secured borrowings (<i>Note (a)</i>)	–	–	9,000	8,500
Unsecured borrowings (<i>Note (b)</i>)	–	15,000	15,000	15,000
	–	15,000	24,000	23,500

Notes:

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

As at December 31, 2022 and March 31, 2023, Guangzhou Jianxin has a bank borrowing of RMB1,000,000 and bank borrowings of RMB3,800,000, respectively, with fixed interest rate 3.85% per annum, which are repayable by October or December 2023, and a 3-year bank borrowing of RMB10,000,000 and RMB9,500,000, respectively, with interest rate of 1-year Loan Prime Rate (“LPR”, announced by National Interbank Funding Center) + 0.8% per annum, which 5% of the principal should be repaid every half year and the remaining principal should be repaid by September 2025. These borrowings are guaranteed by the Company and secured by the pledge over Guangzhou Jianxin’s patent rights.

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

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

As at December 31, 2022 and March 31, 2023, EpicHust has bank borrowings of RMB6,000,000 and RMB16,000,000, respectively, with fixed interest rates ranging from 4.00%-4.20% per annum and 3.75%-4.20% per annum, respectively, which are unsecured and repayable by November or December 2023 or January 2024.

31 REDEMPTION LIABILITIES

Group and Company

Since the date of incorporation of the Company to March 31, 2023, the Company has completed several rounds of financing including Series A, Series A-1, Series A-2, Series B-1, Series B-2, Series C, Series C-1, Series C-2, Series D and Series D+ in the way of capital increase of the Company and capital transfer from founders to investors.

The key terms of the preferred rights granted to the abovementioned investors are summarized as follows:

(i) Redemption right

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

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

(ii) Liquidation preferences

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

(iii) Anti-dilution right

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

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

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
Redemption liabilities				
– Current	–	–	–	6,683,937
– Non-current	2,147,031	5,822,196	6,493,159	–
	<u>2,147,031</u>	<u>5,822,196</u>	<u>6,493,159</u>	<u>6,683,937</u>

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

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

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

The movements of redemption liabilities during the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023 are set out below:

	Year ended December 31,			Three months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	1,528,181	2,147,031	5,822,196	5,822,196	6,493,159
Recognition	432,610	4,848,767	–	–	–
Charged to finance costs (Note 11)	186,240	638,682	670,963	158,684	190,778
Derecognition (Note (a))	–	(1,812,284)	–	–	–
At the end of the year/period	<u>2,147,031</u>	<u>5,822,196</u>	<u>6,493,159</u>	<u>5,980,880</u>	<u>6,683,937</u>

Note:

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

32 OTHER NON-CURRENT LIABILITIES

Group

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Deferred government grants	400	151	–	–
Advance from investors (<i>Note (a)</i>)	771,661	–	–	–
Payable for acquisition of subsidiaries (<i>Note 33</i>)	–	106,306	95,175	97,306
	772,061	106,457	95,175	97,306
Less: current portion of payable for acquisition of subsidiaries included in other current liabilities	–	(39,916)	(41,493)	(42,386)
	<u>772,061</u>	<u>66,541</u>	<u>53,682</u>	<u>54,920</u>

Company

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Advance from investors (<i>Note (a)</i>)	771,661	–	–	–

Note:

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

33 BUSINESS COMBINATION

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

(a) Acquisition of Guangzhou Jianxin

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

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

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

Notes:

- (i) The identified intangible assets for the acquisition primarily consist of customer relationship and technology. They are initially recognized and measured at fair value as they are acquired in business combinations.
- (ii) Goodwill acquired was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

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

(b) Acquisition of Ideal Technology

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

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

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

Notes:

- (i) The identified intangible assets for the acquisition primarily consist of customer relationship, technology and brand name. They are initially recognized and measured at fair value as they are acquired in business combinations.
- (ii) Goodwill acquired was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

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

(c) Acquisition of EpicHust

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

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

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

Notes:

- (i) The identified intangible assets for the acquisition primarily consist of customer relationship and technology. They are initially recognized and measured at fair value as they are acquired in business combinations.
- (ii) Goodwill acquired was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

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

34 CONTINGENCIES AND COMMITMENTS

The Group did not have any material contingent liabilities as at December 31, 2020, 2021 and 2022 and March 31, 2023.

(a) Capital commitments

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

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
				<i>RMB'000</i>
Investments	35,000	20,000	–	4,000

(b) Operating lease commitments

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

	As at December 31,			As at
	2020	2021	2022	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>
				<i>RMB'000</i>
Not later than 1 year	30	–	49	172

35 DIVIDENDS

No dividends have been paid or declared by the Company or the companies now comprising the Group during each of the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023.

36 RELATED PARTY TRANSACTIONS

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

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

(a) Names and relationships with related parties

The following companies are related parties of the Group that had significant transactions and/or balances with the Group during the Track Record Period.

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

(b) Significant transactions with related parties

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
<i>(i) Sales of goods and services</i>					
Huayun	1,509	1,957	802	755	—
Paradigm Cloud	2,922	—	—	—	—
	<u>4,431</u>	<u>1,957</u>	<u>802</u>	<u>755</u>	<u>—</u>
<i>(ii) Purchases of goods and services</i>					
Huayun	4,775	3,375	1,617	1,022	—
Paradigm Cloud	918	283	—	—	—
Yijing Zhilian	—	—	965	—	849
	<u>5,693</u>	<u>3,658</u>	<u>2,582</u>	<u>1,022</u>	<u>849</u>
<i>(iii) Loan to a related party</i>					
Loan to Yijing Zhilian:					
At the beginning of the year/period	—	—	—	—	—
Loan advanced	—	—	4,000	—	—
Loans repaid	—	—	(4,000)	—	—
Interest charged	—	—	80	—	—
Interest received	—	—	(80)	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At the end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Significant balance with related parties

	As at December 31,			As at
	2020	2021	2022	March 31,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
<i>(i) Other receivables from related parties</i>				
Paradigm Fund Management	200	–	–	–
<i>(ii) Trade receivables from related parties</i>				
Huayun	1,366	2,221	–	–
<i>(iii) Trade payables to related parties</i>				
Huayun	1,343	942	–	–
Paradigm Cloud	450	750	–	–
Yijing Zhilian	–	–	1,023	1,123
	1,793	1,692	1,023	1,123

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

(d) Key management personnel compensation

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

	Year ended December 31,			Three months ended	
	2020	2021	2022	March 31,	
	RMB'000	RMB'000	RMB'000	2022	2023
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Wages, salaries and bonuses	19,095	18,834	22,586	5,504	5,698
Contributions to pension plans	354	502	590	139	160
Other social security costs, housing benefits and other employee benefits	802	795	873	200	225
Share-based payment expenses (Note 26)	124,614	190,030	38,461	–	–
	144,865	210,161	62,510	5,843	6,083

37 CASH FLOW INFORMATION

(a) Cash used in operations

	Year ended December 31,			Three months ended March 31,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Loss before income tax	(749,483)	(1,791,699)	(1,665,094)	(276,211)	(307,638)
Adjustments for:					
– Depreciation and amortization					
– property and equipment	14,103	16,348	16,763	4,240	4,367
– right-of-use assets	27,430	25,958	27,610	6,878	7,062
– intangible assets	5,782	25,872	36,472	8,672	9,354
– Credit loss allowance	1,992	15,206	48,914	7	5,578
– Impairment provision for inventories	–	1,920	1,125	–	52
– Share-based payment expenses	173,665	603,634	433,403	–	–
– Interest income	(6,038)	(24,416)	(46,183)	(7,539)	(12,429)
– Interest expenses	188,693	646,800	681,941	161,308	194,378
– Losses/(gains) on disposal of property and equipment	105	(44)	–	–	–
– Gains on termination of right-of-use assets	(998)	–	–	–	–
– Fair value changes on financial assets at fair value through profit or loss	(18,362)	(85,024)	(51,356)	(18,007)	(8,560)
– Fair value changes on financial liabilities at fair value through profit or loss	888	–	–	–	–
– Share of losses/(profits) of investments accounted for using the equity method	6,477	(3,802)	3,200	(538)	791
– Net gains on disposal/transfer/dilution of investments accounted for using the equity method	(13,781)	(8,086)	(5,158)	–	(380)
– Foreign exchange losses, net	3,568	1,197	2,206	30	160
– Decrease/(increase) in contract assets	53	(3,864)	(32,903)	(11,391)	(2,455)
– Increase in inventories	(7,177)	(112,990)	(135,154)	(14,114)	(58,540)
– (Increase)/decrease in trade receivables	(85,548)	(420,118)	(715,904)	123,099	(6,170)
– Increase in prepayments and other receivables	(80,562)	(51,306)	(78,314)	(25,709)	(7,123)
– (Increase)/decrease in restricted cash	(17,865)	13,637	1,266	876	1,625
– Increase/(decrease) in trade payables	69,737	217,189	522,962	(57,940)	(243,710)
– (Decrease)/increase in other payables and accruals	(23,810)	73,751	25,691	(62,189)	(56,081)
– Increase/(decrease) in contract liabilities	56,318	81,491	116,857	(1,626)	16,883
– Increase/(decrease) in other current and non-current liabilities	975	(88)	9,982	(1,476)	(3,449)
Cash used in operations	(453,838)	(778,434)	(801,674)	(171,630)	(466,285)

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis and the movements of liabilities from financing activities for the years ended December 31, 2020, 2021 and 2022 and the three months ended March 31, 2022 and 2023, respectively.

	Liabilities from financing activities			
	Redemption liabilities	Lease liabilities	Borrowings	Total
	<i>(Note 31)</i>	<i>(Note 14)</i>	<i>(Note 30)</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2020	1,528,181	65,566	–	1,593,747
Cash flows	–	(27,039)	–	(27,039)
Accrued interest expenses	186,240	2,453	–	188,693
Addition of redemption liabilities	432,610	–	–	432,610
Addition of new leases	–	704	–	704
Termination of leases	–	(2,909)	–	(2,909)
As at December 31, 2020	<u>2,147,031</u>	<u>38,775</u>	<u>–</u>	<u>2,185,806</u>
As at January 1, 2021	2,147,031	38,775	–	2,185,806
Cash flows	–	(27,479)	(17,678)	(45,157)
Accrued interest expenses	638,682	1,954	713	641,349
Addition of redemption liabilities	4,848,767	–	–	4,848,767
Derecognition of redemption liabilities	(1,812,284)	–	–	(1,812,284)
Addition of new leases	–	14,319	–	14,319
Acquisition of subsidiaries <i>(Note 33)</i>	–	7,795	35,717	43,512
As at December 31, 2021	<u>5,822,196</u>	<u>35,364</u>	<u>18,752</u>	<u>5,876,312</u>
As at January 1, 2022	5,822,196	35,364	18,752	5,876,312
Cash flows	–	(28,429)	41,577	13,148
Accrued interest expenses	670,963	1,552	1,225	673,740
Addition of new leases	–	63,364	–	63,364
Acquisition of subsidiaries <i>(Note 33)</i>	–	181	11,000	11,181
As at December 31, 2022	<u>6,493,159</u>	<u>72,032</u>	<u>72,554</u>	<u>6,637,745</u>
(Unaudited)				
As at January 1, 2022	5,822,196	35,364	18,752	5,876,312
Cash flows	–	(6,732)	(441)	(7,173)
Accrued interest expenses	158,684	387	15	159,086
Addition of new leases	–	688	–	688
As at March 31, 2022	<u>5,980,880</u>	<u>29,707</u>	<u>18,326</u>	<u>6,028,913</u>
As at January 1, 2023	6,493,159	72,032	72,554	6,637,745
Cash flows	–	(9,219)	11,377	2,158
Accrued interest expenses	190,778	801	668	192,247
Addition of new leases	–	2,729	–	2,729
As at March 31, 2023	<u>6,683,937</u>	<u>66,343</u>	<u>84,599</u>	<u>6,834,879</u>

(c) Major non-cash investing and financing activities

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

38 SUBSEQUENT EVENTS

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

Subsequent to March 31, 2023, the Group has entered into facility agreements with two commercial banks for strategic comprehensive credit line amounting to RMB1,200,000,000 in total, which are unutilized as of the date of this accountant's report and can be utilized by the Group as and when any funding needs are arising.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2023 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company’s reporting accountant, as set out in Appendix I, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” and the Accountant’s Report set out in Appendix I.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on March 31, 2023 and based on the consolidated net tangible liabilities attributable to the owners of the Company as at March 31, 2023 as shown in the Accountant’s Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at March 31, 2023 or at any future dates.

	Audited consolidated net tangible liabilities attributable to the owners of the Company as at March 31, 2023 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact related to the change of terms of shares with preferred rights upon Listing ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽⁴⁾⁽⁵⁾	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB	HK\$
Based on an Offer Price of HK\$55.60 per Share	(2,342,475)	862,599	6,683,937	5,204,061	11.21	12.18
Based on an Offer Price of HK\$61.16 per Share	(2,342,475)	953,649	6,683,937	5,295,111	11.41	12.39

Notes:

- (1) The audited consolidated net tangible liabilities attributable to the owners of the Company as at March 31, 2023 is extracted from the Accountant’s Report as set out in Appendix I, which is based on the audited consolidated net liabilities attributable to the owners of the Company as at March 31, 2023 of approximately RMB1,931,646,000, with an adjustment for the intangible assets attributable to the owners of the Company as at March 31, 2023 of approximately RMB410,829,000.
- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Prices of HK\$55.60 and HK\$61.16 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately RMB93,377,000 which have been charged to our consolidated statement of comprehensive income up to March 31, 2023), and does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) Upon the Listing, all preferred rights entitled to the Company's investors will be terminated and the redemption liabilities recognized due to these preferred rights will be reclassified to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by RMB6,683,937,000, being the carrying amount of the redemption liabilities as at March 31, 2023.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 464,060,533 Shares were in issue, assuming that the Global Offering has been completed on March 31, 2023 but does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.0862. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2023.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Fourth Paradigm Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at March 31, 2023, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated September 18, 2023, in connection with the proposed initial public offering of the shares of the Company (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at March 31, 2023 as if the proposed initial public offering had taken place at March 31, 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for the three months ended March 31, 2023, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at March 31, 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, September 18, 2023

TAXATION ON DIVIDENDS**Individual Investor**

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “IIT Law”), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the Implementation Provisions of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019, for income including interest, dividend and bonus, individuals shall pay individual income tax with applicable proportional tax rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus received from enterprises, public institutions, economic organizations and resident individuals in the PRC are deemed as derived from the PRC whether the payment place is in the PRC. Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994 and came into effect on the same date, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “EIT Law”), which was amended on December 29, 2018 and became effective on the same date, and the Implementation Provisions of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), which was amended on April 23, 2019 and became effective on the same date, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonus received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold and remit enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the SAT and came into

effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came in to effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where one of the essential purposes of the relevant arrangement or transaction which directly or indirectly brings about the treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be to obtain such benefits, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of the aforesaid tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties or adjustments for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

TAXATION ON SHARE TRANSFER**VAT and Local Additional Tax**

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (“Circular 36”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) became effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares.

Individual Investor

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation (the “SAT”) and came into effect on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the SAT and CSRC jointly issued the Notice on Issues Concerning the Levy of Individual Income Tax on Individuals’ Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui Zi [2009] No. 167), which became effective on December 31, 2009, states that individuals’ income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals’ Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions had expressly provided whether individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of shares of PRC resident enterprises listed on overseas stock exchange. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花稅暫行條例》), which was issued on August 6, 1988 and amended on January 8, 2011, and the Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

According to the Law of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅法》) promulgated on June 10, 2021 and became effective on July 1, 2022, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the Law of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅法》).

Estate Duty

As of the Latest Practicable Date, the PRC currently does not impose any estate duty.

MAJOR TAXES ON THE COMPANY IN THE PRC**Enterprise Income Tax**

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), which was amended on December 29, 2018 and became effective on the same date and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which was amended on April 23, 2019 and became effective on the same date, the applicable enterprise income tax rate of both domestic and foreign investment enterprises shall be 25%. Enterprises are classified into resident and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its incomes derived from both inside and outside China, and the enterprise income tax rate shall be 25%. For a non-resident enterprise having establishments or premises in the PRC, it shall pay enterprise income tax on its incomes derived from the establishments or premises inside the PRC as well as on incomes that it earns outside the PRC but which has real connection with the said establishments or premises, and the enterprise income tax rate shall be 25%. For a non-resident enterprise having no establishments or premises inside the PRC, or for a non-resident enterprise whose incomes have no actual connection to its establishments or premises inside the PRC, it shall pay enterprise income tax on the incomes derived from the PRC, and the enterprise income tax rate shall be 10%.

Value-Added Tax

According to the Provisional Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation for the Provisional Regulations the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the "VAT Law"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods inside of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》(2019 No. 39 of MOF, SAT and General Administration of Customs), promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. The gains of certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties of the transfer is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"). The Foreign Exchange Control Regulations classifies all international payments and transfers into current accounts and capital accounts. Most of the current accounts are not subject to the approval of foreign exchange administration agencies, while capital accounts are subject to the approval of foreign exchange administration agencies. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. According to the latest amendment to the Foreign Exchange Control Regulations, PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by PBOC on June 20, 1996 and became effective on July 1, 1996 removes other restrictions on convertibility of foreign exchange under current accounts, while imposing existing restrictions on foreign exchange transactions under capital accounts.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

On October 23, 2014, the State Council issued the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing foreign shares.

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a “special foreign exchange account for overseas listing of domestic company” at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015, imposed on June 1, 2015 and partially repealed on December 30, 2019, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled. Instead, banks shall directly examine and handle foreign

exchange registration under domestic direct investment and overseas direct investment (collectively, the “direct investment”), and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice from the State Administration of Foreign Exchange on Reforming and Regulating the Policies of Administration of Foreign Exchange Settlement for Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of foreign exchange capital, foreign loans and raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner’s equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Notice on Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on Constitution of the People's Republic of China (《中華人民共和國憲法》, the “**Constitution**”), which was adopted on September 20, 1954 and subsequently amended on January 17, 1975, March 5, 1978, December 4, 1982, April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the “**NPC**”) and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》, the “**Legislation Law**”), which was adopted on March 15, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state authorities, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if

they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a handling decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The autonomous regulations and separate regulations of an autonomous region shall come into force after being reported to and approved by the Standing Committee of the NPC. The autonomous regulations and separate regulations of an autonomous prefecture or an autonomous county shall come into force after being reported to and approved by the standing committee of the people's congress of the province, autonomous region, or municipality directly under the Central Government.

The ministries and commissions of the State Council, the People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, the Supreme People's Court has the power to give interpretation on issues related to the application of laws and decrees in a court trial, and issues related to the application of laws and decrees in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws and decrees other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), which is adopted on September 21, 1954 and subsequently amended on July 5, 1979, September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's tribunals based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

Under the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》), which is adopted on April 9, 1991 and subsequently amended on October 28, 2007, August 31, 2012, and June 27, 2017, a people's court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the People's Republic of China is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC SECURITIES LAWS, REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) stipulates the public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), the "PRC Securities Law") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers of listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies in accordance with the PRC Arbitration Law may be enforced in Hong Kong, and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced. The Supreme People's Court of China adopted the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the "Supplementary Arrangements") on November 9, 2020. According to the Supplementary Arrangements, before or after the acceptance of an application for enforcement of an arbitration award, the relevant court may, upon application and in accordance with the law of the place where the arbitration award is enforced, adopt preservation or enforcement measures.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of Mainland China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Written jurisdiction agreement" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve any dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meets certain conditions of the aforementioned regulations.

SHANGHAI-HONG KONG STOCK CONNECT

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as “HKSFC”) issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission – Principles for the Prospective Implementation of the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as “Shanghai-Hong Kong Stock Connect”) by the Shanghai Stock Exchange (hereinafter referred to as “SSE”), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as “CSDCC”) and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite LargeCap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies to Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies to domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

THE PRC COMPANY LAW, THE OVERSEAS LISTING TRIAL MEASURES AND THE GUIDELINES

The Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “PRC Company Law”) was adopted by the 5th meeting of the Standing Committee of the 8th National People’s Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018, respectively. The latest revised PRC Company Law was implemented on October 26, 2018.

The Overseas Listing Trial Measures which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, and were applicable to the overseas offering and listing of PRC domestic companies’ securities.

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “Guidelines”) which were issued by the CSRC on December 16, 1997, latest revised on January 5, 2022 and came into effect on the same date, providing the guidelines for the Articles of Association. As such, the contents provided in the Guidelines are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled “Appendix V – Summary of Articles of Association” in this document.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines applicable to the Company.

General

A “joint stock limited company” (“company”) refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A joint stock limited company may be established by promotion or subscription. A joint stock limited company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company’s registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company’s registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. In the case of capital contributions to be made in non-cash assets, the formalities for transfer of property rights shall be completed in accordance with the provisions of the law. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters of the company shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

A company's promoter shall be liable for the followings:

- (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;
- (2) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and
- (3) the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

According to the Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, all promoters

or directors and the lead distributor shall warrant by way of signature of the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A PRC domestic company must file with the CSRC to offer its shares to the overseas public. According to the Overseas Listing Trial Measures, target investors of overseas offering and listing by domestic companies shall be overseas investors, unless prescribed in the Overseas Listing Trial Measures or otherwise stipulated by the state.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

After the issue of new share the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

When a company needs to reduce its registered capital, it shall prepare a statement of financial position and a property list. The company shall inform its creditors within 10 days, from the date of resolution on reduction in registered capital, and publish an announcement in the newspaper within 30 days after the resolution approving the reduction of registered capital

has been passed. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

- (1) Reducing the registered capital of the company;
- (2) Merging with another company that holds its shares;
- (3) Using shares for employee stock ownership plan or equity incentives;
- (4) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company;
- (5) Using shares for converting convertible corporate bonds issued by the listed company;
- (6) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure. A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law and the Guidelines, the rights of holders of ordinary shares of a joint stock limited company include the right:

- (1) to receive dividends and profit distributions in any other form in proportion to their shareholdings;
- (2) to lawfully require, convene, preside over or attend general meetings either in person or by proxy and exercise the corresponding voting right;
- (3) to supervise, present suggestions on or make inquiries about the operations of the Company;
- (4) to transfer, gift or pledge their shares in accordance with the laws, administrative regulations, departmental rules, normative documents and the listing rules of the stock exchange in the place where the stocks of the company are listed, and the articles of association;
- (5) to acquire relevant information according to the provisions of the articles of association, including the duplicate of the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, audited financial statements of the company, reports of directors, accounting firms and the Supervisory Committee;
- (6) in the event of the termination or liquidation of the company, to participate in the distribution of the remaining property of the company in proportion to the shares held by them;
- (7) to require the company to buy their shares in the event of their objection to resolutions of the general meeting concerning merger or division of the company; and
- (8) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

- (1) to decide on the company's operational objectives and investment plans;
- (2) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;
- (3) to review and approve the reports of the board of directors;
- (4) to review and approve the reports of the supervisory board;
- (5) to review and approve the company's annual financial budgets and final accounts;
- (6) to review and approve the company's profit distribution proposals and loss recovery proposals;
- (7) to decide on any increase or reduction of the company's registered capital;
- (8) to decide on the issue and listing of corporate bonds and other securities;
- (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (10) to amend the articles of association; and
- (11) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

- (1) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;
- (2) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;
- (3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

- (4) the board deems necessary;
- (5) the supervisory board proposes to hold; or
- (6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be

entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

A company shall have a board, which shall consist of 5 to 19 members. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

- (1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- (2) to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- (3) to decide on the company's operational plans and investment proposals;
- (4) to formulate proposal for the company's annual financial budgets and final accounts;
- (5) to formulate the company's profit distribution proposals and loss recovery proposals;

- (6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- (7) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- (8) to decide on the setup of the company's internal management organs;
- (9) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- (10) to formulate the company's basic management system; and
- (11) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation;
- a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

- (1) to review the company's financial position;
- (2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of the shareholders' general meetings;
- (3) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;
- (4) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;
- (5) to submit proposals to the shareholders' general meetings;
- (6) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and
- (7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關

於到香港上市公司對公司章程作補充修改的意見的函》), which is promulgated and implemented on April 3, 1995, the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

- (1) to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- (2) to arrange for the implementation of the company's annual operation plans and investment proposals;
- (3) to formulate proposals for the establishment of the company's internal management organs;
- (4) to formulate the fundamental management system of the company;
- (5) to formulate the company's specific rules and regulations;
- (6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- (7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- (8) to exercise any other authority granted by the board of directors or the articles of association.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

- (1) misappropriating company funds;
- (2) depositing company funds into accounts under their own names or the names of other individuals to deposit;
- (3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;
- (4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;
- (5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- (6) accepting commissions paid by a third party for transactions conducted with the company;
- (7) unauthorized divulgence of confidential information of the company; and
- (8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory board violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

- (1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- (2) the shareholders' general meeting has resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or division;
- (4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws;
- (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph 1 above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph 1, 2, 4 or 5 above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with

a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

- (1) to sort out the company's assets and to prepare a statement of financial position and an inventory of assets, respectively;
- (2) to notify creditors by notice or public notices;
- (3) to deal with any outstanding business related to the liquidation;
- (4) to pay outstanding tax together with any tax arising during the liquidation process;
- (5) to settle claims and liabilities;
- (6) to handle the company's remaining assets after its debts have been paid off;
- (7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required statement of financial position and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required statement of financial position and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or gross negligence.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date

of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on April 21, 2023 which shall become effective as at the date on which the H shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors. As discussed in the appendix headed “Appendix VII – Documents Delivered to the Registrar of Companies and Available on Display” to this document, the full document of the Articles of Association in Chinese is available for examination.

1 DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue Shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general Shareholders’ meeting (“**General Meeting**”) in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of our Company or any subsidiary

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions, external donations, and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and reported to the General Meeting for approval.

(3) Guarantees of Loans to Directors, Supervisors or other management personnel

The external guarantee matters of the Company shall be submitted to the Board of Directors or the General Meeting for deliberation.

The following acts of external guarantee of the Company shall be submitted to the General Meeting for deliberation and approval after being reviewed and approved by the Board of Directors:

- i. any single guarantee for an amount more than 10% of the Company’s net assets audited in the latest period;
- ii. any guarantee to be provided after the total amount of external guarantees provided by the Company or the subsidiaries it controls has exceeded 50% of the Company’s net assets as audited in the latest period;

- iii. any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;
- iv. any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of its total assets as audited in the latest period;
- v. the amount guaranteed by the Company within one year exceeds 30% of its latest audited total assets;
- vi. any guarantee to be provided to a Shareholder, or to an ultimate controller or related party;
- vii. other external guarantees that meet the requirements of stock exchange and the Articles of Association and can take effect only after being reviewed and approved by the General Meeting.

(4) Provide financial assistance for acquiring the shares of the Company or shares of any subsidiary

The Company or its subsidiaries (including its subsidiaries) will not provide any financial assistance to the person who purchases or intends to purchase the company's shares in the form of gifts, advances, guarantees, compensation or loans.

(5) Remuneration

The appointment and removal of the members of the Board of Directors and the Board of Supervisors, as well as their remuneration and payment methods, shall be adopted by the General Meeting by ordinary resolution.

(6) Appointment, Resignation and Dismissal

The Board of Directors is composed of nine directors, including three independent directors. The directors of the Company are elected by the General Meeting. At any time, the Board of Directors should have more than 1/3 independent Directors, and the total number of independent directors should not be less than three.

The Board of Directors has one chairman. The chairman of the Board of Directors shall be elected by more than half of all Directors. The Directors shall be elected or replaced by the General Meeting, and may be removed by the General Meeting through an ordinary resolution before the expiration of their term of office.

The chairman of the Board and other Directors serve three-year terms, and the director can be re-elected and reappointed at the end of the term. The general manager or other senior managers may concurrently serve as directors. However, the total number of directors concurrently serving as the general manager or other senior managers shall not exceed half of the total number of directors of the Company.

None of the following persons shall serve as our Director, Supervisor or senior management:

- i. a person who has no civil capacity or has limited civil capacity;
- ii. a person who has been sentenced to a term of imprisonment for any of the following crimes and five years have not elapsed since the date on which execution of the sentence was completed: embezzlement, bribery, conversion of property, misappropriation of property, or sabotaging the socialist economic order; or has been deprived of his/her political rights as a result of a criminal conviction and five years have not elapsed since the date on which execution of the sentence was completed;
- iii. a person who has served as a director, the factory chief, or the manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the bankruptcy and liquidation of the company or enterprise are completed;
- iv. a person who has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation occurs;
- v. a person who has a relatively large sum of debt, which was not paid at maturity;
- vi. a person who has been banned from entering the securities market by the CSRC and whose term has not expired;
- vii. other contents stipulated by laws, administrative regulations and departmental rules.

The election, appointment or employment of the Directors, Supervisors or other senior management shall be invalid if such election, appointment or employment is against the Articles of Association. If the Directors, Supervisors or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

(7) Borrowing powers

The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its Shares, and that such bond issues must be approved by the Shareholders by a special resolution at the General Meeting.

(8) Duties

The directors shall abide by laws, administrative regulations and the Articles of Association, and shall have the following loyal duties to the Company:

- i. shall not abuse their authority by accepting bribes or other illegal income, and shall not convert company property;
- ii. shall not misappropriate company funds;
- iii. shall not deposit Company's assets into accounts held in their own names or in the name of any other individual;
- iv. shall not, in violation of the Articles of Association, loan Company's funds to any other person or give Company's assets as security for the debt of any other person without the approval of the General Meeting or the Board of Directors;
- v. shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the General Meeting;
- vi. shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company to engage in the same business as the Company either for their own account or for the account of any other person without the approval of the General Meeting;
- vii. shall not accept commissions paid by others for transactions conducted with the Company as their own;
- viii. shall not disclose confidential Company's information without authorization;
- ix. shall not abuse their connected relationships to damage the Company's interests;
- x. laws, administrative regulations, departmental rules and other fiduciary obligations stipulated in the Articles of Association.

The income obtained by the director in violation of above article shall belong to the Company. If losses are caused to the Company, it shall be liable for compensation.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company:

- i. shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and state economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;
- ii. shall treat all Shareholders fairly;
- iii. shall maintain a timely awareness of the operation and management of the Company;
- iv. shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;
- v. shall provide accurate information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;
- vi. laws, administrative regulations, departmental rules and other obligations of diligence stipulated in the Articles of Association.

The duty of loyalty assumed by the Directors shall not be automatically relieved within a reasonable period after the resignation report has not come into effect or has come into effect, and within a reasonable period after the end of the term of office. The duty of confidentiality of the Company's business secrets shall remain valid after the resignation report comes into effect or the end of the term of office, until the secrets become public information.

Without the provisions of the Articles of Association or the lawful authorization of the Board of Directors, no Director shall act in his own name on behalf of the Company or the Board of Directors. When a Director acts in his/her own name, the Director shall declare his/her position and identity in advance if the third party reasonably believes that the Director is acting on behalf of the Company or the Board of Directors.

Where any Director or senior officer, in the course of his company duties, violates any law, administrative regulations or the Articles of Association and causes the Company to suffer a loss, shareholders individually or jointly holding more than 1% of the Company's Shares for more than 180 successive days may make a written request to the Board of Supervisors to bring a lawsuit in the people's court; where the Board of Supervisors, in the course of its company duties, violates any law, administrative regulations or the Articles of Association and causes the Company to suffer a loss, the shareholders may make a written request to the Board of Directors to bring a lawsuit in the people's court.

Where the Board of Supervisors or the Board of Directors refuses to bring a lawsuit after receiving a written request from the Shareholders prescribed in the preceding paragraph or fails to bring a lawsuit within 30 days of receiving such a request, or where the situation is so urgent that failure to bring a lawsuit will lead to irreparable damage to the interests of the Company, the Shareholders prescribed in the preceding paragraph may bring a lawsuit directly in their own names for the benefit of the Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

2 MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

Where the amendments to the Articles of Association passed by the General Meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the General Meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting.

4 VOTING RIGHTS

Shareholders (including proxy) shall exercise their voting rights according to the number of voting Shares they represent, and each Share shall have one vote.

The General Meeting of Shareholders shall vote by open ballot. The same voting right can only choose one of on-site, online or other voting methods (if any). In case of repeated voting with the same voting right, the first voting result shall prevail.

Shareholders attending the General Meeting shall express one of the following opinions on the proposal submitted for voting: affirmative, negative or abstention. The securities registration and clearing organization shall be the nominee holder of shares on the Interconnection Mechanism for Mainland and Hong Kong Stock Markets (if any), except where declaration is made in accordance with the actual holder's intent. Where any ballot is not completed in full, is completed incorrectly or unintelligibly, or has no vote recorded, the voter shall be deemed to have waived his voting rights and the voting result for his shares shall be deemed as an "abstention".

5 RULES ON GENERAL MEETINGS

The General Meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

6 ACCOUNTING AND AUDITS

(1) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent department.

The Company shall issue a consolidated annual financial audit report for the previous year in accordance with the Chinese accounting system respectively, and the financial audit report shall be submitted to the board of directors and the General Meeting for approval after being audited by the accounting firm engaged by the Company.

The Company shall not establish other accounting books except for the statutory accounting books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

(2) Appointment and Dismissal of Accountants

The Company employs an accounting firm that complies with relevant national regulations to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year, and can be renewed.

The employment of accounting firms by the Company must be decided by the General Meeting, and the Board of Directors shall not appoint accounting firms before the decision of the General Meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The Company shall notify the accounting firm 20 days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the General Meeting votes on dismissing the accounting firm. If the accounting firm proposes to resign, it shall explain to the General Meeting whether the Company has any improper situation.

7 NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The General Meeting is the authorized organ of our Company

Under any of the following circumstances, the Company shall convene an extraordinary general meeting within two months:

- i. where the number of directors falls below the number prescribed in the Company Law or below two thirds of the number prescribed in the Articles of Association;
- ii. where the Company's unfunded losses reach one third of total Share capital paid in;
- iii. where Shareholders who individually or jointly hold no less than 10% of the Company's stock request holding of such a meeting;
- iv. where the Board of Directors deems it necessary;
- v. where the Board of Supervisors proposes such a meeting;
- vi. in any other circumstances prescribed by laws, administrative regulations, departmental rules, or the Articles of Association.

The General Meeting shall be convened by the Board of Directors.

The Board of Supervisors may request in writing to convene an extraordinary general meeting. If the Board of Directors agree to convene an extraordinary general meeting, the notice of convening extraordinary general meeting shall be issued within 5 days after the Board of Directors makes a resolution. If the Board of Directors made a rejection or does not respond within 10 days after it receiving the proposal, it shall be viewed as the Board of Directors is unable to or fails to perform its meeting duty of convening the General Meeting and the Board of Supervisors may convene and preside over the meeting by its own.

Shareholders who separately or jointly hold 10% or more of the shares may request in writing to convene an extraordinary general meeting. If the Board of Directors does not issue a notice of convening the meeting within 10 days after receiving the above written requirement, or refused to convene, the shareholders who make the request may request the Board of Supervisors in writing to convene the meeting. If the Board of Supervisors does not issue the notice about convening the meeting within 5 days after receiving the above written requirement, the Shareholders who make the request could convene and preside the meeting by themselves.

If the General Meeting is convened, the Board of Directors, the Board of Supervisors and Shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a proposal 10 days before the meeting.

The convener shall notify shareholders by announcement 21 or 20 net working days (whichever is longer) before the annual general meeting, and the extraordinary general meeting shall notify shareholders by announcement 15 or 10 net working days (whichever is longer) before the meeting. In calculating the advance notice period, the Company shall not include the day of the meeting, but may include the day on which the notice of the meeting is given.

The notice of a General Meeting includes the following:

- i. the time, place and duration of the meeting;
- ii. matters and proposals submitted to the meeting to review;
- iii. explain in obvious words that all shareholders have the right to attend the general meeting of shareholders and may appoint a proxy in writing to attend the meeting and participate in the vote, and the shareholder proxy need not be a shareholder of the company;
- iv. share registration date of the shareholders entitled to attend the general meeting;
- v. name and telephone number of the permanent contact person for conference affairs;
- vi. online or other voting time and voting procedures.

The notice of the General Meeting and the supplementary notice shall fully and completely disclose all the specific contents of all proposals, as well as all the materials or explanations required to enable the Shareholders to make a reasonable judgment on the matters to be discussed. If the matter to be discussed needs the opinion of independent Directors, the opinions and reasons of independent Directors will be disclosed at the same time when the notice General Meeting or supplementary notice is issued.

The resolution of the General Meeting includes ordinary resolution and special resolution. The following matters shall be approved by the General Meeting through ordinary resolutions:

- i. work report of the Board of Directors and the Board of Supervisors;
- ii. plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;
- iii. appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;
- iv. annual budget and final account report;
- v. annual report of the Company;
- vi. other matters other than those approved by special resolution stipulated in the laws, administrative regulations or the Articles of Association.

The following matters shall be approved by special resolution at the General Meeting:

- i. the increase or reduction of the registered capital;
- ii. the mergers, spin-offs, dissolutions and liquidations (including voluntary winding-ups) of the Company;
- iii. the amendment to the Articles of Association;
- iv. to review and approve the purchases or sell of material assets by the Company within 12 consecutive months or the guarantee amount exceeds 30% of the latest audited total assets of the Company;
- v. to review the Company's employee shareholding schemes or share incentives;
- vi. other matters stipulated by laws, administrative regulations, the Articles of Association and the Rules of Procedure of the General Meeting of Shareholders, as well as other matters that the general meeting determines by ordinary resolution will have a significant impact on the Company and need to be passed by special resolution.

If any resolution of the General Meeting or resolution of the Board of Directors violates laws or administrative regulations, any Shareholder is entitled to request the court to deem it as invalid.

If the convening procedure or voting formula of the General Meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any Shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

8 SHARE TRANSFERS

The Shares of our Company holding by the funders thereof shall not be transferred within one year of the date of establishment of our Company.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the Shares of our Company and the changes thereto. The Shares transferrable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the Shares of our Company. The Shares that they hold in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their Shares of our Company within half a year from the date of their resignation.

Where any Director, Supervisor or senior manager of the Company who holds more than 5% of the Company Shares sells company's stock he holds within 6 months of the relevant purchase, or purchases any stock he has sold within 6 months of the relevant sale, the proceeds generated therefrom shall be incorporated into the profits of the Company, and the Board of Directors of the Company shall recover the proceeds. However, the following circumstances shall be excluded where a securities company holds more than 5% of the shares due to its purchase of any remaining Shares under best efforts underwriting or where the provisions of the securities regulatory authority under the State Council are apply.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior executives and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts. If the Board of Directors of the Company fails to comply with the above paragraph of this Article, the Shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People's Court in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth in this Article, the responsible Directors shall bear joint and several liability in accordance with law.

9 RIGHTS OF OUR COMPANY TO PURCHASE OUR OUTSTANDING ISSUED SHARES

The Company shall not repurchase of its Shares. However, exceptions are made in any of the following cases:

- i. to reduce the registered capital of the Company;
- ii. to merge with other companies that hold shares in the Company;
- iii. to use the shares for employee shareholding schemes or as share incentives;
- iv. to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings on the merger or division of the Company;
- v. to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;
- vi. to safeguard corporate value and shareholders' equity as the Company deems necessary.

The Company may purchase its own Shares through public centralized trading, or through other means recognized by the laws, administrative regulations, or the CSRC. Where the Company purchases its own Shares under any of the circumstances specified in Items 3, 5, or 6 of Article 25 of the Articles of Association, centralized trading shall be adopted publicly.

10 POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of Shares in its parent.

11 DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company shall distribute profit in cash or shares, as follows:

- i. the principle of profit distribution of the Company: the Company implements the dividend distribution policy of equal shares and interests, and shareholders receive dividends and other forms of benefit distribution according to the shares. The Company implements an active profit distribution policy, attaches importance to reasonable investment returns to investors, and maintains continuity and stability. The Company may distribute profits by means of cash or shares, and the distribution of profits shall not exceed the scope of cumulative distributable profits, and shall not harm the Company's ability to continue operations. The opinions of independent

non-executive directors, external supervisors (if any) and public investors shall be fully considered in the decision-making and deliberation of the profit distribution policy by the Board of Directors, Board of Supervisors and general meetings.

- ii. the overall form of the Company's profit distribution: dividends are distributed in cash, shares or a combination of the two, and when the Company has the conditions for cash dividends, the Company should give priority to cash dividends for profit distribution.
- iii. the specific conditions and proportion of the Company's cash dividends: the Company mainly adopts the profit distribution policy of cash dividends, that is, if the Company achieves profits in the current year, and has distributable profits after making up for losses according to law, withdrawing statutory reserve funds and surplus reserve funds, the company shall pay cash dividends; the company's profit distribution shall not exceed the range of cumulative distributable profits.

After the General Meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the General Meeting.

12 SHAREHOLDER PROXIES

Shareholders can attend the General Meeting in person or entrust a proxy to attend and vote on their behalf.

Any proxy statement issued by a Shareholder who authorizes a proxy to attend the General Meeting on his behalf shall include the following details:

- i. the name of the proxy;
- ii. whether the proxy is authorized to vote;
- iii. respective instructions on affirmative, negative or abstention voting on each item for consideration listed in the General Meeting agenda;
- iv. the issuance date and valid period of the proxy statement;
- v. the signature (or seal) of the Shareholder. Where the Shareholder is a legal person, the legal person's seal shall be affixed.

The power of attorney shall indicate whether the shareholder's proxy can vote according to his own will if the Shareholder does not give specific instructions. A Shareholder's proxy needs not be a Shareholder of the Company.

Where a Shareholder authorizes another person to sign a proxy statement for voting, the power of attorney for signing authority or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall be lodged at the Company's domicile or any other place stipulated in the meeting notice. Where the Shareholder is a legal person, its legal representative or any person authorized by a resolution of the Board of Directors or other decision-making body shall attend the General Meeting as its proxy.

If a member is a recognized clearing house (or its agent) as such term is defined in the relevant regulations from time to time in Hong Kong, it may authorize one or more persons as it thinks fit to act as its representative at any general meeting; Provided, however, that if more than one person is so authorized the powers of attorney shall set forth the number and class number of shares in respect of which each such person has so authorized and shall be signed by the person or persons who have been duly authorized by the clearing house. A person so authorized may attend (without production of share certificate by notarial authority and/or further evidence of due authority) and exercise all rights (including the right to speak and vote) on behalf of a recognized clearing house (or its alternate) as if that person were an individual Shareholder of the Company.

13 REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company establishes the register of Shareholders according to the certificate provided by the securities registration authority. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's Shares. Shareholders enjoy rights and assume obligations according to the types of shares they hold. Shareholders holding the same kind of Shares shall enjoy the same rights and undertake the same obligations.

The Hong Kong branch of the register of Shareholders must be available for inspection by Shareholders, but the Company may be allowed to suspend the registration of Shareholders in accordance with the equivalent provisions of Section 632 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

When our Company convenes the General Meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of identities, the Board of Directors or the convener of the General Meeting shall determine the Shareholders who enjoy the relevant rights and interests according to the register of Shareholders.

14 RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

The controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company and other shareholders; Controlling shareholders and actual controllers who violate relevant laws, regulations and Articles of Association and cause losses to the Company and other Shareholders shall be liable for compensation.

Controlling Shareholders and ultimate controllers of the Company shall have a duty of good faith to the Company and other Shareholders. Controlling Shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the Company or of public Shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the use of Company's funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public Shareholders.

15 PROCEDURES FOR LIQUIDATION

The Company shall be dissolved in accordance with the law under any of the following circumstances:

- i. the term of business operation expires;
- ii. the general meeting resolves to dissolve the Company;
- iii. dissolution is necessary as a result of the merger or division of the Company;
- iv. the Company's business license is revoked or it is ordered to close down or it is deregistered according to laws;
- v. serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

Where the Company is to be dissolved pursuant to Items i, ii, v or vi of above paragraph of this Article, a liquidation committee shall be established within 15 days from the date when the event of dissolution occurs. The liquidation committee shall be composed of Directors or members determined by the General Meeting. Where the Company fails to form a liquidation committee to liquidate the Company within the prescribed period of time, its creditors may petition the people's court to appoint the relevant persons to establish a liquidation committee and liquidate the Company.

Within 10 days of the establishment of the liquidation committee, the creditors shall be notified and an announcement shall be published in at least one newspaper within 60 days. Creditors shall file their claims with the liquidation committee within 30 days of receiving the notice, or within 45 days of publication of the first notice if any such creditor does not receive the notice.

In filing their claims, creditors shall provide all relevant details relating thereto and provide supporting materials. The liquidation committee shall make records of such claims. The liquidation committee shall not pay out on any creditors' claims while such claims are still being filed.

After identifying the Company's assets and preparing the balance sheet and schedule of assets, the liquidation committee shall prepare a liquidation plan, which shall be submitted to the General Meeting or the people's court for ratification. After paying all liquidation expenses, staff wages and labor insurance expenses, outstanding taxes, and Company's debts, the remaining assets shall be distributed to the Shareholders in proportion to their respective shareholdings.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any Shareholder before full payments have been made out of the property according to the aforesaid provision.

Where the liquidation committee, after identifying the Company's assets and preparing the balance sheet and schedule of assets, discovers that the Company does not have sufficient assets to repay the Company's debts in full, the liquidation committee shall file a bankruptcy petition with the people's court in accordance with the law.

After our Company is declared bankrupt by ruling of the people's court, the liquidation committee shall turn over matters regarding the liquidation to the people's court.

Upon closure of liquidation of our Company, the liquidation committee shall prepare a liquidation report, which shall be submitted to our General Meeting or the people's court for confirmation. The liquidation committee shall, from the date of the confirmation of the liquidation report by the General Meeting or the people's court, submit it to the company registration authority to apply for cancellation of the Company's registration and announce the termination of the Company.

16 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

(1) General Provisions

Our Company is a permanently existing joint stock limited company.

All the assets of the company are divided into shares of equal value. The Shareholders are responsible for the Company to the extent of their subscribed Shares, and the Company is responsible for the Company's debts with all its assets.

The Articles of Association shall, from the date on which they take effect, be the legally binding document that regulates the organization and activities of the Company and the relationship of rights and obligations as between the Company and the Shareholders and among the Shareholders, and shall be legally binding on the Company, the Shareholders, the Directors, the Supervisors and senior officers. Based on the Articles of Association, any Shareholder may bring a lawsuit against another Shareholder, a Director, a Supervisor, a manager or any other senior officer. Any Shareholder may bring a lawsuit against the Company, and the Company may bring a lawsuit against any Shareholder, Director, Supervisor, manager or any other senior officer.

(2) Share and Transfer

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to a resolution of the general meeting, by any of the following methods:

- i. a public offering of shares;
- ii. a private placement of shares;
- iii. allotment of bonus shares to existing shareholders;
- iv. conversion of reserve funds to share capital;
- v. other methods permitted by laws, administrative regulations and the CSRC.

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law, Hong Kong Listing Rules and other relevant regulations, as well as the Articles of Association.

(3) Shareholders

Shareholders are entitled to rights and assumes obligations pursuant to the classification and ratio of their shares. Shareholders holding the same classified share have the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

- i. the right to dividends and other distributions in proportion to the number of shares held;
- ii. the right to apply for, convene, preside, attend or appoint proxies to attend general meetings and to exercise the corresponding right to speak and vote;

- iii. the right to supervise, present proposals or raise enquiries in respect of the Company's business operations;
- iv. the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the Articles of Association;
- v. the right to inspect the Articles of Association, Register of Shareholders, corporate bond stubs, minutes of general meetings, resolutions of the Board of Directors and resolutions of the Board of Supervisors and accounting reports;
- vi. in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;
- vii. shareholders who object to resolutions of merger or division made by the shareholders' general meeting may request the Company to purchase shares held;
- viii. the right to inspect the Hong Kong Register of Shareholders of the Company, but the Company may suspend the registration of shareholders in accordance with the equivalent provisions of Section 632 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong);
- ix. Other rights provided for by laws, administrative regulations, departmental rules or the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the aforesaid materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. the Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

Shareholders of the Company shall have the following obligations:

- i. to abide by laws, administrative regulations and the Articles of Association;
- ii. to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;
- iii. not to return shares unless prescribed otherwise in laws and administrative regulations;
- iv. not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors; Any shareholder who abuses shareholders' rights and causes the Company

or other shareholders to suffer a loss shall be liable for making compensation in accordance with the law; Any shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and severely harm the interests of the Company's creditors shall assume joint and several liability for the Company's debts;

- v. to assume other obligations required by laws, administrative regulations and the Articles of Association.

(4) The Board of Directors

The Board of Directors shall exercise the following functions and powers:

- i. to convene general meetings and report to the general meetings;
- ii. to implement resolutions of the general meetings;
- iii. to decide on the Company's business plans and investment plans;
- iv. to formulate the annual financial budgets and final accounts of the Company;
- v. to formulate the Company's profit distribution plans and plans on making up losses;
- vi. to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;
- vii. to formulate plans for the Company's major acquisition, repurchase the Shares of the Company, or merger, division, dissolution or change of corporate form of the Company;
- viii. to decide on matters such as investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management, connected transactions and donations of the Company within the scope of authorization by the general meeting;
- ix. to decide on establishment of internal management organs of the Company;
- x. to decide on the appointment or dismissal of the Company's general manager, secretary of the board and other members of the senior management and decide on matters of their remuneration and rewards and punishments. According to the nomination of the general manager, decide to appoint or dismiss the Company's deputy general manager, financial officer and other senior management, and decide on matters of their remuneration, rewards and punishments;

- xi. to formulate the basic management system of the Company;
- xii. to formulate proposals to amend the Articles of Association;
- xiii. to manage the Company's disclosures;
- xiv. to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service to the Company;
- xv. to listen to the work report of the general manager of the Company and to inspect the work of the general manager of the Company;
- xvi. according to the authorization of the general meetings, to decided to repurchase of the shares of the Company in accordance with the Articles of Association;
- xvii. other functions and powers provided for in laws, administrative regulations, department regulations and the Articles of Association.

Matters beyond the scope of authorization of the General Meeting shall be submitted to the General Meeting for deliberation.

Except as otherwise provided in the Articles of Association, meetings of the Board of Directors shall be held only if more than one half of the directors are present.

(5) Independent Non-executive Director

At any time, the Board of Directors should have more than 1/3 of independent Directors, and the total number of independent Directors should not be less than three.

(6) Secretary of the Board of Directors

The Company shall appoint a secretary of the Board of Directors, who shall be responsible for preparing for General Meetings and meetings of the Board of Directors, the retention of documents, the management of Shareholder materials, etc.

(7) Board of Supervisors

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors, including one employee representative Supervisor and one chairman. The chairman of the Board of Supervisors shall be elected by two third of all Supervisors.

The Board of Supervisors shall be composed of Shareholder representatives and an appropriate proportion of company employee representatives. The number of employee representatives shall be no less than one third of all Supervisors. Employee representatives on the Board of Supervisors shall be democratically elected by employees through the employee representative congress, the employee congress, or any other means.

The Board of Supervisors shall exercise the following functions and powers:

- i. to review and give written opinions on the periodic reports of the Company prepared by the Board of Directors;
- ii. to examine the Company's financial matters;
- iii. to supervise the performance by the directors and senior management of their duties to the Company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;
- iv. to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;
- v. to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the Board of Directors fails to perform its duties to convene and preside the general meetings in accordance with the Company Law;
- vi. to submit proposals to the general meetings;
- vii. to file lawsuits against directors and senior management on behalf of the Company in accordance with the Company Law;
- viii. in case of any queries or any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;
- ix. other functions and powers as specified in Hong Kong Listing Rules and other relevant regulations, as well as the Articles of Association.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

(8) General Manager

Our Company has one general manager, appointed or dismissed by the Board of Directors.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

- i. to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;
- ii. to organize the implementation of the Company's annual business plans and investment plans;
- iii. to draft plans for the establishment of the Company's internal management organization;
- iv. to draft the Company's basic management system;
- v. to formulate the specific rules and regulations of the Company;
- vi. to propose to the Board of Directors appointment or dismissal of deputy general manager and chief financial officer of the Company;
- vii. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- viii. such other functions and powers conferred by the Articles of Association or the Board of Directors.

(9) Reserves

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve fund.

Allocations to the Company's statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital.

Where the statutory reserve fund is not sufficient to cover any loss made by the Company in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

After an allocation to the statutory reserve fund has been made from the after-tax profit of the Company, and subject to the adoption of a resolution by the General Meeting, an allocation may be made to the discretionary reserve fund.

After the Company has covered its losses and made allocations to the reserve funds, any remaining profit shall be distributed to the shareholders in proportion to their respective shareholdings unless otherwise stipulated in the Articles of Association.

Where the General Meeting or the Board of Directors, in violation of the preceding paragraph, distributes profits to the Shareholders before covering Company's losses and making an allocation to the Company statutory reserve fund, the profits so distributed must be returned to the Company.

Profits shall not be distributed to Shares held by the Company itself.

Company reserve funds shall be used to cover Company's losses, expand production and operations, or converted to increase the Company's capital. However, the capital reserve fund must not be used to cover Company's losses.

After converting statutory reserve funds into capital, the amount remaining in the statutory reserve fund shall be no less than 25% of the Company's registered capital.

FURTHER INFORMATION ABOUT OUR COMPANY**Incorporation**

Our Company was established as a limited liability company in the PRC on September 17, 2014 and was converted into a joint stock limited company on July 9, 2021 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company is RMB445,664,533.

Our Company has established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on August 26, 2021. Ms. Yeung Siu Wai Kitty, one of our joint company secretaries, and Ms. Cheung Yuet Fan have been appointed as authorized representatives in Hong Kong and our agents for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in “Summary of Articles of Association” in Appendix V to this Prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in “Summary of Principal Legal and Regulatory Provisions” in Appendix IV to this Prospectus.

Changes in Share Capital

On September 17, 2014, the predecessor of our Company, Shenzhen Qianhai Fourth Paradigm Data Technology Co., Ltd. (深圳市前海第四範式數據技術有限公司) was established with a registered capital of RMB5 million.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Prospectus:

Pursuant to the extraordinary general meeting of the Company dated December 30, 2022, the Shareholders resolved to allow Nanjing Paradigm as the Employee Incentive Platform to subscribe for increased registered capital of the Company. The registered capital of our Company increased from RMB437,705,989 to RMB451,243,288 on December 30, 2022.

Pursuant to the extraordinary general meeting of the Company dated January 17, 2023, the Shareholders resolved to repurchase 5,578,755 Shares from Nanjing Paradigm as the Employee Incentive Platform. The registered capital of our Company decreased from RMB451,243,288 to RMB445,664,533 on January 17, 2023.

For more details, see “History, Development and Corporate Structure – Pre-IPO Investments.” Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this Prospectus.

Corporate Reorganization

Our Company has not gone through any corporate reorganization. For details of the history and development of our Company, see the section headed “History, Development and Corporate Structure” in this Prospectus.

Resolutions of our Shareholders

Pursuant to a general meeting held on April 21, 2023, among other things, our Shareholders resolved that:

- (a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being listed on the Hong Kong Stock Exchange;
- (b) the number of H Shares to be issued shall not be more than 15% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;
- (c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and
- (d) authorization of the Board to handle matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Pursuant to a general meeting held on June 13, 2023, our Shareholders resolved that subject to the CSRC’s approval, upon completion of the Global Offering, 115,246,250 Unlisted Shares held by HongShan Venture, Guoxin Qidi, Purui Tianjin, Beijing Innovation, Zhongyi Equity Fund, Sinovation Fund III, Ruihui Haina, NIFA No.1, Value Global, Shanghai Saixin Business Consulting Management Center (Limited Partnership), Guangxi Tencent Venture Capital Co., Ltd., Hangzhou Fantong, Hubei Boheng, Guangzhou Yuexiu Emerging Industry Phase II Investment Fund Partnership (Limited Partnership), GS Asia II, Zhuhai Zhongyu Investment Enterprise (Limited Partnership), Guangkong Zhongying, Fangyuan Chuangying, Haitong International Investment, Jiaxing Chenyue, Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Investment Fund Partnership (Limited Partnership), Cisco China, Stonebridge 2020, Growing Fame, Guangzhou Yuexiu Nuocheng No. 8 Industrial Investment Partnership (Limited Partnership), CITIC Construction Investment, Ningbo Huiyuan, Dongkong Jinlong, and LF Beta will be converted into H Shares on a one-for-one basis.

Changes in Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries in Note 1 to the Accountant's Report set out in Appendix I to this Prospectus.

The following alterations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this Prospectus.

Beijing Yuntian

On May 27, 2022, the registered capital of Beijing Yuntian increased from RMB5.0 million to RMB50.0 million.

EpicHust

On June 14, 2022, the registered capital of EpicHust increased from RMB38.0 million to RMB43.7 million.

Ideal Technology

On December 29, 2022, the registered capital of Ideal Technology increased from RMB55.6 million to RMB58.6 million.

4Paradigm Beijing

On January 11, 2023, the registered capital of 4Paradigm Beijing increased from RMB50.0 million to RMB1.0 billion.

On February 17, 2023, the registered capital of 4Paradigm Beijing increased from RMB1 billion to RMB2.0 billion.

Zhongyuan Putai

On June 7, 2023, the registered capital of Zhongyuan Putai decreased from RMB50.0 million to RMB1.0 million.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

1. the supplemental agreement to the shareholders special rights termination agreement (股東特殊權利終止協議之補充協議) dated January 15, 2023 entered into among our Company, Dai Wenyuan (戴文淵), Paradigm (Tianjin) Management Consulting Partnership (Limited Partnership) (範式(天津)管理諮詢合夥企業(有限合夥)), 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)), SCC Venture V-Mars (HK) Limited, Sinovation Fund III, L.P., Beijing Innovation Works VC Center (Limited Partnership)* (北京創新工場創業投資中心(有限合夥)), Beijing HongShan Mingde Equity Investment Center (Limited Partnership) (北京紅杉銘德股權投資中心(有限合夥)), YSC Investment I (HK) Limited, Value Global Limited, Zhuhai Guangkong Zhongying Industry Investment Fund Partnership (Limited Partnership) (珠海光控眾盈產業投資基金合夥企業(有限合夥)), Ningbo Meishan Bonded Zone HongShan Zhisheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區紅杉智盛股權投資合夥企業(有限合夥)), LF Beta Limited, Tibet Lingfeng Xinfu Venture Investment Partnership (Limited Partnership) (西藏領風鑫服創業投資合夥企業(有限合夥)), Hubei Boheng Equity Investment Partnership (Limited Partnership) (湖北渤恒股權投資合夥企業(有限合夥)), Chance Talent Management Limited, Henan Guoxin Qidi Equity Investment Fund (Limited Partnership) (河南國新啟迪股權投資基金(有限合夥)), Ningbo Huiyuan Venture Capital Partnership (Limited Partnership) (寧波匯原創業投資合夥企業(有限合夥)), Zhuhai Hongmai Enterprise Management Partnership (General Partnership) (珠海宏邁企業管理合夥企業(普通合夥)), Major Awesome Limited, Zhuhai Xuren Equity Investment Fund Partnership (Limited Partnership) (珠海旭仁股權投資基金合夥企業(有限合夥)), Beijing Ruihui Haina Technology Industry Fund (Limited Partnership) (北京睿匯海納科技產業基金(有限合夥)), Bocom International Holdings Company Limited, CITIC Securities Investment Limited (中信証券投資有限公司), Jinshi Jinrui Equity Investment (Hangzhou) Partnership (Limited Partnership) (金石金潤股權投資(杭州)合夥企業(有限合夥)), Jinshi Haofeng Equity Investment (Hangzhou) Partnership (Limited Partnership) (金石灑豐股權投資(杭州)合夥企業(有限合夥)), Jinshi Zhiyu Equity Investment (Hangzhou) Partnership (Limited Partnership)* (金石智娛股權投資(杭州)合夥企業(有限合夥)), Nongwan (Changsha) Equity Investment Enterprise (Limited Partnership) (農灣(長沙)股權投資企業(有限合夥)), Zhuhai Huiyuan Investment Partnership (Limited Partnership)* (珠海暉元投資合夥企業(有限合夥)), Beijing NIFA No. 1 Artificial Intelligence Technology Industry Fund Management Center (Limited Partnership) (北京中互金一號人工智能科技產業基金管理中心(有限合夥)), Guangzhou Yuexiu Nuocheng No. 8 Industrial Investment Partnership (Limited Partnership)* (廣州越秀諾成八號實業投資合夥企業(有限合夥)),

Guangzhou Yuexiu Emerging Industry Phase II Investment Fund Partnership (Limited Partnership)* (廣州越秀新興產業二期投資基金合夥企業(有限合夥)), Cisco China Company Limited (思科(中國)有限公司), CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), Shanghai Saixin Business Consulting Management Center (Limited Partnership)* (上海賽新商務諮詢管理中心(有限合夥)), Beijing Lianxiang Smart Internet Innovation Fund Partnership (Limited Partnership)* (北京聯想智能互聯網創新基金合夥企業(有限合夥)), Shenzhen Songhe Growth Equity Investment Partnership (Limited Partnership) (深圳市松禾成長股權投資合夥企業(有限合夥)), Shenzhen Lingyu Cornerstone Equity Investment Partnership (Limited Partnership) (深圳市領譽基石股權投資合夥企業(有限合夥)), Shenzhen Linghui Cornerstone Equity Investment Partnership (Limited Partnership) (深圳市領匯基石股權投資基金合夥企業(有限合夥)), Xinhe No.1 (Tianjin) Technology Center (Limited Partnership) (信和一號(天津)科技中心(有限合夥)), Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) (秋實興德(天津)投資中心(有限合夥)), Boyu Jingtai (Shanghai) Equity Investment Partnership (Limited Partnership)* (博裕景泰(上海)股權投資合夥企業(有限合夥)), Pu Rui Enterprise Management (Tianjin) Partnership (Limited Partnership)* (樸瑞企業管理(天津)合夥企業(有限合夥)), China-UAE Investment Cooperation (Cayman) Holdings Limited, Shenzhen HongShan Hanchen Equity Investment Partnership (Limited Partnership) (深圳市紅杉瀚辰股權投資合夥企業(有限合夥)), CDBC Manufacturing Transformation and Upgrading Fund (Limited Partnership) (國開製造業轉型升級基金(有限合夥)), China Life (Jiangsu) Jiequan Health Industry Investment Fund (Limited Partnership) (江蘇國壽惠泉股權投資中心(有限合夥)), Hangzhou Fantong Equity Investment Partnership (Limited Partnership) (杭州範同股權投資合夥企業(有限合夥)), Goldman Sachs Asia Strategic II Pte. Ltd., Stonebridge 2020 (Singapore) Pte. Ltd., Lucent (Shanghai) Investment Center (Limited Partnership) (磐信(上海)投資中心(有限合夥)), CPE Investment (Hong Kong) 2018 Limited, MIC Capital Management 23 RSC Ltd, Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鑑銘股權投資基金合夥企業(有限合夥)), Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Investment Fund Partnership (Limited Partnership)* (深圳潤信新觀象戰略新興產業私募股權投資基金合夥企業(有限合夥)), CITIC Construction Investment Co., Ltd. (中信建投投資有限公司), Ningbo Meishan Bonded Port Area Fangyuan Chuangying Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區方源創盈股權投資合夥企業(有限合夥)), Haitong International Investment Holdings Limited, Beijing New Power Quality Enterprise Development Fund (Limited Partnership)* (北京新動力優質企業發展基金(有限合夥)), JIC Technology Investment Ltd. (建投華科投資股份有限公司), Jiaxing Chenyue Equity Investment Partnership (Limited Partnership) (嘉興宸玥股權投資合夥企業(有限合夥)), Growing Fame Holdings Limited, Hubei Province Lianxiang Yangtze River Technology Industry Fund Partnership (Limited Partnership) (湖北省聯想長江科技產業基金合夥企業(有限合夥)), Hainan BOCOM International Science and Technology Innovation Shengxing Equity Investment Partnership (Limited Partnership) (海南交銀國際科創盛興股權投資合夥企業(有限合夥)), Foshan City South Sea Dongkong Jinlong Investment Partnership (Limited Partnership) (佛山市

南海東控錦龍投資合夥企業(有限合夥)), Guangxi Tencent Venture Capital Co., Ltd.* (廣西騰訊創業投資有限公司), Zhuhai Zhongyu Investment Enterprise (Limited Partnership)* (珠海眾譽投資企業(有限合夥)), Gongqingcheng Yuanchun Investment Management Partnership (Limited Partnership)* (共青城元淳投資管理合夥企業(有限合夥)), Qingdao Chuangxin Venture Capital Enterprise (Limited Partnership)* (青島創鑫創業投資企業(有限合夥)) and 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)), Fourth Paradigm (Beijing) Data & Technology Co., Ltd.* (第四範式(北京)技術有限公司), Beijing Fourth Paradigm Science & Technology Co., Ltd.* (北京第四範式科技有限公司), Shanghai Shishuo Intelligent Technology Co., Ltd.* (上海式說智能科技有限公司), pursuant to which the revival arrangement of certain shareholders special rights was further amended and agreed among the aforementioned parties;

2. the cornerstone investment agreement dated September 14, 2023 entered into among our Company, New China Capital Management Limited, and China International Capital Corporation Hong Kong Securities Limited, pursuant to which New China Capital Management Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of HK\$365 million;
3. the cornerstone investment agreement dated September 14, 2023 entered into among our Company, Beijing Zhongguancun Science City Science and Technology Growth Investment Partnership (Limited Partnership) (北京中關村科學城科技成長投資合夥企業(有限合夥)), and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Beijing Zhongguancun Science City Science and Technology Growth Investment Partnership (Limited Partnership) agreed to subscribe for H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of RMB290 million;
4. the cornerstone investment agreement dated September 14, 2023 entered into among our Company, Montage Technology Holdings Company Limited, and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Montage Technology Holdings Company Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US\$10 million; and
5. the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, the key trademarks in relation to the business of our Group as a whole were:

Trademark	Registered Owner
	4Paradigm Beijing
范式	4Paradigm Beijing
第四范式先知	4Paradigm Beijing
4Paradigm Sage	4Paradigm Beijing
4Paradigm SageOne	4Paradigm Beijing

In addition to the trademarks above, our Group had over 600 trademark registrations in the PRC, European Union, Singapore and Hong Kong.

Patents

As of the Latest Practicable Date, we had over 300 patents registered with the National Intellectual Property Administration of the PRC and over 580 pending patent applications in the PRC.

Copyrights

As of the Latest Practicable Date, we had over 490 copyrights registered with the National Copyright Administration of the PRC.

Domain Name

As of the Latest Practicable Date, the following was the key domain name registration of our Group:

4paradigm.com

Save as the above, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interests in our Company

Name	Position	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in Unlisted Shares as at the Latest Practicable Date ⁽¹⁾	Approximate percentage of shareholding in Unlisted Shares after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽²⁾
Dr. Dai ⁽³⁾	Chairman of the Board, Executive Director and Chief Executive Officer	Beneficial owner	106,164,523	32.13%	32.13	22.88%
		Interest in controlled corporations	74,068,383	22.42%	22.42	15.96%

Notes:

- (1) The calculation is based on the total number of Shares in issue as at the Latest Practicable Date, including 330,418,283 Unlisted Shares and 115,246,250 Unlisted Shares which will be converted into H Shares upon completion of the Global Offering.
- (2) The calculation is based on the total number of 330,418,283 Unlisted Shares and 133,642,250 H Shares in issue immediately after completion of the Global Offering since 115,246,250 Unlisted Shares will be converted into H Shares and 18,396,000 H Shares will be issued pursuant to the Global Offering, and assuming that the Over-allotment Option is not exercised.
- (3) Immediately after completion of the Global Offering and assuming the Over-allotment Option is not exercised, Dr. Dai beneficially owns 106,164,523 Unlisted Shares of our Company. In addition to his direct shareholding, Dr. Dai is also deemed to be interested in 74,068,383 Unlisted Shares of our Company through the intermediaries he controlled under the SFO. Paradigm Investment and Paradigm Yinyuan own 63,962,734 Unlisted Shares and 10,105,649 Unlisted

Shares of our Company, respectively. Dr. Dai, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan. Beijing New Wisdom is a limited liability company established in the PRC and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively.

2. Substantial Shareholders

For the information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed “Substantial Shareholders” in this Prospectus.

So far as set out herein, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) who will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

3. Service Contracts and Letters of Appointment

Each of the Directors and Supervisors has entered into a service contract or a letter of appointment with our Company.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director’s and Supervisors’ Remuneration

Save as disclosed in “Directors, Supervisors and Senior Management” and “Appendix I – Accountant’s Report – II. Notes to The Financial Information – 10 Employee Benefit Expenses” for the three financial years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Employee Incentive Scheme

The following is a summary of the principal terms of the Employee Incentive Scheme approved and adopted by our Board on April 25, 2021 (the “**Adoption Date**”). The terms of the Employee Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Incentive Scheme does not involve the grant of options by our Company after the Listing. Given the underlying Shares under the Employee Incentive Scheme had

already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the Shares under the Employee Incentive Scheme. No further award under the Employee Incentive Scheme will be granted after Listing.

As of the Latest Practicable Date, the Company had established two Employee Incentive Platforms, namely Paradigm Investment and Nanjing Paradigm, which held 63,962,734 Unlisted Shares and 7,958,544 Unlisted Shares, respectively. For the details of the Employee Incentive Platforms, please refer to “History, Development and Corporate Structure – Employee Incentive Scheme” in this Prospectus.

Objectives

The purpose of the Employee Incentive Scheme is to enable the Company to provide incentives to eligible participants (“**Eligible Participants**”, as defined in the paragraph headed “**Eligibility**” below) and reward them for their contribution or potential contribution to the Group.

Grant of awards

The Scheme entitles Eligible Participants to be granted awards (“**Awards**”) in the form of economic interests in the Employee Incentive Platforms, including as the limited partners in Paradigm Investment through another limited partnership with other Eligible Participants, or as limited partners of Nanjing Paradigm directly. Upon becoming the limited partners of the Employee Incentive Platforms, the Eligible Participants indirectly receive economic interest in the corresponding number of underlying Shares held by the Employee Incentive Platforms.

Eligibility

Pursuant to the scheme documents (the “**Scheme Documents**”), Eligible Participants of the Scheme include the following classes of persons:

- i. Directors or senior management of our Group;
- ii. Core technicians, middle-level management and key employees who have made outstanding or special contributions to the Group; and
- iii. Any other suitable person identified by the award working team (“**Award Working Team**”), set up for the daily management of the Scheme.

The Scheme Documents further provide that the following employees may not be selected as participants to the Scheme:

- Employees who hold shares, positions, or received remuneration in any company that has a business competition (or potential business competition) with the Group; and

- Employees who have received warnings, administrative penalties or other disciplinary actions due to material violation of applicable laws and regulations or rules of any stock exchange for the preceding three years.

Administration of the Scheme

Our Board retains full discretion over the following matters of the Scheme:

- the selection of participants in the Scheme; and
- the implementation, amendment and termination of the Scheme.

Restrictions on Transfer

Pursuant to the terms of the Scheme, except as otherwise agreed between the Employee Incentive Platform and the Eligible Participants, and except for written approval by the Employee Incentive Platform, during the subsistence of the Employee Incentive Platform, the selected participants may not dispose or transfer their respective interest in the Employee Incentive Platform.

Lock-up period

Prior to the listing of the Company, except as agreed by the Award Working Team, a selected participant might not transfer, mortgage, pledge or gift his or her interest, or dispose in any way his or her limited partnership interest. In the event that the Company initiates listing plan, except as otherwise agreed between the Employee Incentive Platform and the selected participants, the lock-up period prohibiting a selected participant from disposing his or her limited partnership interest will start on the day of holding the relevant limited partnership interest to (a) the date specified by the CSRC or stock exchanges in other countries or regions to restrict the transfer of Shares (if any) or (b) the termination date of any lock-up undertaking given by the Employee Incentive Platform in respect of transfer of its shares (whichever is the later). Selected participants' interest in the Employee Incentive Platform will also be automatically locked up from the day the Company entered into sponsorship and underwriting agreements with securities companies in respect of the listing of the Company until the date specified by the CSRC or stock exchanges in other countries or regions to restrict the transfer of shares (if any) or (b) the termination date of any lock-up undertaking given by the Employee Incentive Platform in respect of transfer of its shares (whichever is the later).

Company's right of disposal

Pursuant to the Scheme, each of the Employee Incentive Platforms might exercise its right to transfer a selected participant's interest in the Employee Incentive Platform either to a designated person or have the Employee Incentive Platform buy back the interest from the selected participants, in the event of any misconduct which may bring adverse impact to the Employee Incentive Platform or the Group.

Awards granted

The aggregate number of Shares underlying the awards granted to two Directors (Chen Yuqiang and Yu Zhonghao), three Supervisors (Chai Yifei, Zhou Wenjing and Shao Liling), four senior management members, and 357 other employees of our Group amounted to 18,427,925, 1,532,633, 26,202,655 and 36,987,226, respectively. Among which, 41,984,719 Shares underlying the awards were granted to 17 connected persons of the Company, including the aforementioned Directors and Supervisors, spouse of a Director, certain directors and supervisors of our subsidiaries namely Guangzhou Jianxin, Zhimei Xinchuang, Zhongyuan Putai, Beijing Yuntian, and Ideal Technology.

Save as disclosed above, no awards under the Employee Incentive Scheme have been granted to other connected persons of our Group and there is no outstanding number of Shares underlying the unvested awards granted under the Employee Incentive Scheme. As at the Latest Practicable Date, all the Awards have been vested and all the selected participants holding vested Awards have become limited partners of partnerships, which hold limited partnership interest in the Employee Incentive Platform. All the Awards have been granted and all the Shares underlying the Awards have been issued to the Employee Incentive Platforms. All the specific grantees have been identified for all the Shares underlying the Awards.

The table below sets forth the list of Directors, Supervisors and senior management members of our Group who are grantees of the awards under the Employee Incentive Scheme, and the number of the underlying Shares of their respective awards:

Name of Director, Supervisor or senior management member	Number of Shares underlying the Awards granted under the Employee Incentive Scheme
Chen Yuqiang	11,937,331
Yu Zhonghao	6,490,594
Chai Yifei	1,064,974
Zhou Wenjing	367,845
Shao Liling	99,814
Pei Misi	11,371,038

Name of Director, Supervisor or senior management member	Number of Shares underlying the Awards granted under the Employee Incentive Scheme
Hu Shiwei	11,937,331
Zheng Zhao	1,566,879
Tu Weiwei	1,327,407

6. Disclaimers

Saved as disclosed in this Prospectus:

- (a) none of our Directors, Supervisors or any of the parties listed in “Qualification of Experts” of this Appendix is:
 - (i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
 - (ii) materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;
- (b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in “Qualification of Experts” of this Appendix:
 - (i) is interested legally or beneficially in any shares in any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and
- (d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION**Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to be imposed on our Company or any of our subsidiaries.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Sole Sponsor

The Sole Sponsor have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US\$500,000 for acting as a sponsor for the Listing.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this Prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)

Name	Qualification
JunHe LLP	PRC legal advisor
China Insights Industry Consultancy Limited	Independent industry consultant
Jacobson Burton Kelley PLLC	Legal advisors as to U.S. export control law to our Company

Consents of Experts

Each of the experts referred to in “Qualification of Experts” in this Appendix has given and has not withdrawn its respective written consents to the issue of this Prospectus with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests or rights (whether legally enforceable or not) or any of our members to subscribe for or to nominate persons to subscribe for our securities or any of our member.

Compliance Advisor

We have appointed Guotai Junan Capital Limited as our Compliance Advisor upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK\$1.30 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see “Taxation and Foreign Exchange – Taxation in Hong Kong” in Appendix III to this Prospectus.

No Material Adverse Change

Save as disclosed in the “Summary – No Material Adverse Change” and “Financial Information – No Material Adverse Change” to this Prospectus, after all due diligence was performed as appropriate as the Directors believe, our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial position or prospects since March 31, 2023 and there has been no event that materially and adversely affected the data set out in the Accountant’s Report in Appendix I to this Prospectus since March 31, 2023.

Binding Effect

This Prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this Prospectus:

- (a) within the two years preceding the date of this Prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

- (h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;
- (j) our Company has no outstanding convertible debt securities or debentures;
- (k) our Company is a joint stock limited company and is subject to the PRC Company Law; and
- (l) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Restrictions on Share Repurchases

For details, see the sections headed “Summary of Principal Legal and Regulatory Provisions” in Appendix IV and “Summary of Articles of Association” in Appendix V to this Prospectus.

Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters of our Company are all of the 50 then shareholders of our Company as at May 31, 2021 before our conversion into a joint stock limited liability company. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to in “Statutory and General Information – Other Information – Consents of Experts” in Appendix VI to this Prospectus; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information – Further Information about our Business – Summary of Material Contracts” in Appendix VI to this Prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.4paradigm.com during a period of 14 days from the date of this Prospectus:

1. the Articles of Association;
2. the Accountant’s Report from PricewaterhouseCoopers on the historical financial information of our Group for each of the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, the text of which is set forth in Appendix I to this Prospectus;
3. the audited consolidated financial statements of our Company for the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023;
4. the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group as at March 31, 2023, the text of which is set forth in Appendix II to this Prospectus;
5. the legal opinion issued by Jacobson Burton Kelley PLLC, our legal advisors as to U.S. export control law;
6. the material contracts referred to in “Statutory and General Information – Further Information about our Business – Summary of Material Contracts” in Appendix VI to this Prospectus;
7. the written consents referred to in “Statutory and General Information – Other Information – Consents of Experts” in Appendix VI to this Prospectus;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

8. the service contracts and letters of appointment referred to in “Statutory and General Information – Further Information about our Directors, Supervisors, Senior Management and Substantial Shareholders – 3. Service Contracts and Letters of Appointment” in Appendix VI to this Prospectus;
9. the legal opinions issued by JunHe LLP, our PRC Legal Advisor, in respect of, among other things, the general matters and property interests of our Group under PRC law;
10. the industry report issued by CIC; and
11. a copy of the following PRC laws, together with unofficial English translations:
 - (i) the PRC Company Law;
 - (ii) the PRC Securities Law; and
 - (iii) the Guidelines for Articles of Association of Listed Companies.



北京第四範式智能技術股份有限公司

Beijing Fourth Paradigm Technology Co., Ltd.