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Beijing Fourth Paradigm Technology Co., Ltd.
北京第四范式智能技术股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6682)

DISCLOSEABLE TRANSACTIONS
TRANSFER OF EQUITY INTEREST AND CAPITAL INCREASE IN
THE TARGET COMPANY

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on February 9, 2024 (after trading hours of the Stock Exchange), in line with the business development needs and strategic synergy between the Group and the Target Company, Fourth Paradigm Beijing, the Target Company and the Transferee entered into the Equity Transfer Agreement.

Pursuant to the Equity Transfer Agreement, the Transferee will acquire from Fourth Paradigm Beijing the corresponding equity interest of RMB11,000,000 in the registered capital of the Target Company (representing 22% of its registered capital) at a consideration of RMB88,000,000.

Upon Completion of Equity Transfer, Fourth Paradigm Beijing will still hold 44% equity interest in the Target Company, but will no longer control the majority of board of the Target Company. The Target Company will cease to be a subsidiary of the Company and its financial results will be accounted for as an associate but will no longer be consolidated into the accounts of the Group. In addition to generating investment income for the Group, the financial income of the Target Company will be accounted for as an associate for the Group. This will help maintain stable overall financial conditions of the Group. Meanwhile, the Group will continue to strengthen its direct business cooperation with the Target Company. Based on the Target Company's efforts in digitalization and intelligentization within the energy and power industry, it will bring more strategic synergy and long-term returns to the Group.

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that in light of the satisfactory business performance of the Target Company, on February 9, 2024 (after trading hours of the Stock Exchange), the Target Company and the Investor entered into the Capital Increase Agreement, pursuant to which the Investor intends to subscribe for the corresponding equity interest of RMB2,500,000 (representing approximately 4.76% of its enlarged registered capital) in the newly increased registered capital of the Target Company by way of capital injection of RMB25,000,000 into the Target Company.

Upon Completion of Capital Increase, Fourth Paradigm Beijing's interest in the Target Company will be diluted to 41.90%. The Group will continue to generate financial income from the Target Company, and enhance the business cooperation with the Target Company.

In addition, in light of the satisfactory business performance of the Target Company, it will receive more funds for its future development upon the Capital Increase.

In connection with the Capital Increase, Fourth Paradigm Beijing, the Target Company, Guangzhou Shibe, Guangzhou Jianyun, the Transferee, and the Investor entered into the Shareholder Agreement dated February 9, 2024 (after trading hours of the Stock Exchange) to regulate, among others, the affairs, business and management of the Target Company and the relationship, rights and obligations among the shareholders of the Target Company, in which the Investor was granted certain standard minority shareholders' rights of the Target Company, which include, among others, Repurchase Rights, anti-dilution rights, right of first refusal, pre-emptive rights, co-sale rights, and drag-along rights.

LISTING RULES IMPLICATIONS

The Target Company is an indirect non-wholly-owned subsidiary of the Company through its wholly-owned subsidiary Fourth Paradigm Beijing. As at the date of this announcement, the Group holds 66% of the share capital of the Target Company. It is expected that the Group's shareholding in the Target Company will be 44% upon Completion of Equity Transfer.

It is expected that the Group's shareholding in the Target Company will be diluted to 41.90% upon Completion of Capital Increase. As the Equity Transfer has not yet been completed at the time of the signing of the Capital Increase Agreement, the Capital Increase, once materialised, will constitute a deemed disposal of the Company under Rule 14.29 of the Listing Rules.

As both the Equity Transfer and the Capital Increase involve the Target Company and will take place within 12 months, and the Transferee and the Investor are controlled by the same general partner, the Equity Transfer and the Capital Increase should be aggregated into a series of transactions under Rule 14.22 of the Listing Rules, and the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transactions, when aggregated, exceeds 5% but is less than 25%.

In addition, with respect to the grant of the Repurchase Right to the Investor under the Shareholder Agreement, as the exercise of the Repurchase Right is not at the discretion of the Target Company or the Company, pursuant to Rule 14.74(1) of the Listing Rules, upon the grant of the Repurchase Right, the transaction will be categorized as if the Repurchase Right had been exercised. As one or more of the applicable percentage ratios in respect of the grant of the Repurchase Right is less than 5%, the grant of the Repurchase Right to the Investor under the Shareholder Agreement itself does not constitute a discloseable transaction under Chapter 14 of the Listing Rules. However, pursuant to Rule 14.24 of the Listing Rules, the grant of the Repurchase Right and the Transactions are considered to be a transaction involving both an acquisition and a disposal as the grant of the Repurchase Right is connected with the Transactions. The Company will categorize the transactions by reference to the higher of the percentage ratios of the grant of the Repurchase Right and the Transactions and will comply with the applicable requirements of the Listing Rules in accordance with such categorization. The Company will comply with Rule 14.74(2) of the Listing Rules when exercising the Repurchase Right (if any).

Based on the above, as the Transactions and the grant of the Repurchase Right as a whole constitute a discloseable transaction, they are subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on February 9, 2024 (after trading hours of the Stock Exchange), Fourth Paradigm Beijing, the Target Company and the Transferee entered into the Equity Transfer Agreement, pursuant to which the Transferee will acquire from Fourth Paradigm Beijing the corresponding equity interest of RMB11,000,000 in the registered capital of the Target Company (representing 22% of its registered capital) at a consideration of RMB88,000,000.

On February 9, 2024 (after trading hours of the Stock Exchange), the Target Company and the Investor entered into the Capital Increase Agreement, pursuant to which the Investor intends to subscribe for the corresponding equity interest of RMB2,500,000 (representing approximately 4.76% of its enlarged registered capital) in the newly increased registered capital of the Target Company by way of capital injection of RMB25,000,000 into the Target Company.

In connection with the Capital Increase, Fourth Paradigm Beijing, the Target Company, Guangzhou Shibe, Guangzhou Jianyun, the Transferee, and the Investor entered into the Shareholder Agreement dated February 9, 2024 (after trading hours of the Stock Exchange) to regulate, among others, the affairs, business and management of the Target Company and the relationship, rights and obligations among the shareholders of the Target Company, in which the Investor was granted certain standard minority shareholders' rights of the Target Company, which include, among others, Repurchase Rights, anti-dilution rights, right of first refusal, pre-emptive rights, co-sale rights, and drag-along rights.

EQUITY TRANSFER AGREEMENT

The salient terms of the Equity Transfer Agreement are set out below:

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| Date | February 9, 2024 (after trading hours of the Stock Exchange) |
| Parties | <ol style="list-style-type: none">(1) Fourth Paradigm Beijing (as transferor)(2) Target Company; and(3) Transferee |
| Subject matter of the Equity Transfer | Pursuant to the terms and conditions of the Equity Transfer Agreement, Fourth Paradigm Beijing has agreed to transfer and the Transferee has agreed to purchase the Sale Equity Interest (i.e. the corresponding equity interest of RMB11,000,000 in the registered capital of the Target Company, representing 22% of its registered capital). |
| Consideration and payment arrangements | <p>The consideration for the Sale Equity Interest is RMB88,000,000</p> <p>The Transferee will pay the consideration to Fourth Paradigm Beijing by installments in cash as follows:</p> <ol style="list-style-type: none">(1) The down payment of RMB10,000,000 for the Equity Transfer shall be paid within 30 Business Days after the Equity Transfer Agreement takes effect;(2) The second installment of RMB10,000,000 will be paid before December 31, 2024;(3) The third installment of RMB24,000,000 will be paid before December 31, 2025; and(4) The final installment of RMB44,000,000 will be paid before December 31, 2026. |
| Conditions precedent | <p>Completion of Equity Transfer is subject to the fulfillment of the following conditions, unless otherwise agreed to be waived by the parties:</p> <ol style="list-style-type: none">(1) The Transferee has paid the down payment for the Equity Transfer into Fourth Paradigm Beijing's designated bank account as agreed in the Equity Transfer Agreement; |

- (2) All necessary filing and registration procedures for the Equity Transfer and the change of the relevant board members of the Target Company have been completed with the competent market regulatory authority;
- (3) Necessary resolutions have been passed at the shareholders' meetings of the Target Company, including: (i) approval of the Equity Transfer and the signing and consummation of the relevant transaction documents; (ii) a confirmation by the existing shareholders of the Target Company to waive their right of first refusal, co-sale rights, pre-emptive rights, and other priority rights in relation to the Equity Transfer; (iii) adoption of the revised articles of association of the Target Company which sets forth the rights and obligations after the Completion of Equity Transfer;
- (4) There are no circumstances under which the Equity Transfer is prohibited or restricted by applicable laws, regulations or policies, or which will have a material adverse effect on the Equity Transfer; and
- (5) Fourth Paradigm Beijing issued a certificate to the Transferee certifying that all of the conditions precedent have been fulfilled.

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| Completion | Completion of Equity Transfer shall take place on the date on which all the conditions precedent have been fully satisfied or waived |
| Arrangements for board of directors of the Target Company | The number of directors nominated by Fourth Paradigm Beijing has been reduced from four to one, with the remaining four directors being nominated by Guangzhou Shibe and Guangzhou Jianyun |
| Clawback of equity interest | <p>If the Transferee fails to pay the consideration as agreed in the Equity Transfer Agreement by the due date and the payment is still not made after 30 Business Days, the equity interest corresponding to the unpaid portion of the consideration shall be transferred back to Fourth Paradigm Beijing at nil consideration</p> <p>The formula for calculating the equity interest to be clawed back is as follows:</p> <p>Equity interest to be clawed back = registered capital of the Target Company involved in the Equity Transfer (i.e. RMB11 million) x (RMB88 million – portion of consideration paid by the Transferee)/RMB88 million</p> |

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| Consideration and payment arrangements | The consideration for the Capital Increase is RMB25,000,000, which shall be settled by the Investor in cash upon Completion of Capital Increase and shall be paid into the account of the Target Company within 30 Business Days after all the conditions precedent have been fulfilled or waived. |
| Conditions precedent | <p>Completion of Capital Increase is subject to the fulfillment of the following conditions, unless otherwise waived in writing by the Investor:</p> <ol style="list-style-type: none"> (1) The Target Company shall perform and comply with all the covenants, undertakings and obligations set forth in the Capital Increase Agreement which shall be completed or complied with on or before the date of payment of the consideration; (2) The board of directors and shareholders of the Target Company passed resolutions on the Capital Increase, the signing of the transaction documents and other related matters, which have been duly signed and a copy of the original of which has been provided to the Investor; (3) The revised articles of association of the Target Company have been duly signed by the existing shareholders of the Target Company (or in the case of an amendment to the articles of association, the amendment to the articles of association should have been signed by the legal representative of the Target Company) and made available to the Investor; (4) As at the date of payment of the consideration, the representations, undertakings and warranties given by the management of the Target Company and the Target Company in the Capital Increase Agreement are true, correct, complete and not misleading in any respect; (5) The existing shareholders of the Target Company and the Investor have signed the shareholders' agreement and other transaction documents in relation to the Capital Increase; and (6) The existing shareholders of the Target Company have waived in writing their pre-emptive right to subscribe for the additional shares. |

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| Completion | Completion of Capital Increase will take place within 30 Business Days after all the conditions precedent have been fully satisfied or waived, and shall be on the date on which the Investor has paid the consideration for Capital Increase in full |
| Termination | <p>The Capital Increase Agreement will become effective on the date of signing and may be terminated prior to Completion of Capital Increase in the following circumstances:</p> <ol style="list-style-type: none"> (1) If any representation, warranty or undertaking made or assumed by the management of the Target Company and/or the Target Company is untrue, misleading, incorrect or unfulfilled in a material respect and such circumstances materially and adversely affect the commercial interests of the Investor in proceeding with the Capital Increase, the Investor shall have the right to request rectification within 30 days by giving notice to the other party. If the other party fails to make rectification within the said period of time, the Investor shall have the right to terminate the Capital Increase Agreement by written notice; (2) The parties have unanimously agreed to terminate the agreement; and (3) Upon the satisfaction of all the conditions precedent, if the Investor fails to pay the consideration for the Capital Increase as agreed in the Capital Increase Agreement and the payment is still not made after 30 Business Days, the Target Company or its management shall have the right to terminate the Capital Increase Agreement and terminate all rights thereunder upon written notice to the Investor who fails to pay the consideration for the Capital Increase |

Upon Completion of Capital Increase, Fourth Paradigm Beijing's interest in the Target Company will be diluted and it will hold 41.90% equity interest in the Target Company.

Pursuant to the Shareholder Agreement, the Investor was granted certain standard minority shareholders' rights of the Target Company, which include, among others, Repurchase Rights, anti-dilution rights, right of first refusal, pre-emptive rights, co-sale rights, and drag-along rights. The Company does not assume any repurchase obligations and compensation liabilities in respect of the minority shareholders' rights granted to the Investor.

In respect of the repurchase right, the Shareholder Agreement provides that at the time of the occurrence of any Trigger Events (as defined below) or at any time thereafter, the Investor will have the right (the “Repurchase Right”) to require the Target Company and its management or a third party designated by it to pay the Repurchase Price (as defined below) to repurchase all or a portion of the equity interest in the Target Company held by the Investor as a result of the Capital Increase in the Target Company, within three months after receipt of a written notice from such Investor. Trigger events (the “Trigger Event(s)”) under the Shareholder Agreement include:

- (1) As of June 30, 2030, the Target Company has not achieved a qualified listing or otherwise achieved an exit for the Investor’s investment;
- (2) The Target Company and/or its management commits a material breach of contract or a material violation of laws and regulations prior to the qualified listing of the Target Company and fails to take timely remedial measures recognized by the Investor within 30 Business Days after the Investor has issued a written notice requesting for such remedial measures, which has a material adverse effect on the Target Company;
- (3) If any other shareholders request the Target Company and/or its management to repurchase their equity interest in the Target Company, the Investor has the right to request the Target Company and/or its management to repurchase all or part of the Investor’s equity interest in the Target Company, and shareholders other than the Investor are obliged to provide the necessary assistance.

The repurchase price (the “Repurchase Price”) shall be calculated in accordance with the following formula:

For each registered capital of RMB1 of the Target Company held by the Investor, the Repurchase Price shall be the higher of (i) the amount of the Capital Increase subscribed corresponding to each registered capital of RMB1 of the Target Company held by the Investor, plus interest on the amount of the Capital Increase subscribed calculated at 8% (simple interest) per annum, minus the profit distributions that have been made during the period that the Investor has held an equity interest in the Target Company (calculated in accordance with the proportion of the equity interest in the Target Company that the Investor requests to repurchased); and (ii) the net asset value of the Target Company audited by an independent auditor for each registered capital of RMB1 held by the Investor.

BASIS OF THE CONSIDERATION

The consideration for the Equity Transfer of RMB88 million (corresponding to RMB8/RMB1 registered capital) was determined after arm’s length negotiations between Fourth Paradigm Beijing and the Transferee with reference to the valuation results of the shareholders’ equity of the Target Company as at December 31, 2023 by the Independent Valuer adopting the market approach.

The Independent Valuer believes that the market approach is one of the most straightforward and persuasive methods of valuation analysis because investors are not willing to pay more for an asset than the prevailing market price of a substitute with the same purpose.

(a) Valuation method, basis and assumptions

For the purpose of the valuation analysis, the fair value of the equity interest in the Target Company was arrived at using the market approach. Valuation adjustments for the enterprise value to EBITDA (“EV/EBITDA”) ratio of the comparable companies as of December 31, 2023 and the lack of marketability discount have been adopted for the valuation analysis of the Target Companies under the market approach.

(b) EV/EBITDA of the Target Company and its market comparables

Based on market data of comparable public companies, the median EV/EBITDA of market comparable companies is approximately 12.95 times.

(c) Basis for selection of comparables

Selection criteria for comparable companies include:

- (1) The comparable companies principally engage in the provision of data services and application solutions for the energy and power industries, and the establishment and operation of industrial internet platforms;
- (2) Customers are mainly in the energy and power-related industries, with over 90% of revenue generated from the energy and power-related industries;
- (3) The comparable companies are publicly listed in Hong Kong and/or Mainland China and the EV/EBITDA multiple of the comparable companies as at the valuation date are accessible.

The Independent Valuer has identified a total of 7 companies in the energy and power industry that provide data services and application solutions in the industry whose shares are publicly listed in Hong Kong and/or Mainland China.

Based on the above selection criteria, the EV/EBITDA of the comparable companies as of December 31, 2023 and other information is tabulated below:

| Company | The stock market on which the company is listed | Principal business | Share of revenues from energy and power-related industries (based on latest available data) | EV/EBITDA ratio |
|----------------|--|---|--|------------------------|
| Company A | Main Board of the Stock Exchange | Research and application promotion of related technologies in the fields of power information technology and the Internet of Things for Smart Cities | 100% | 5.80 |
| Company B | Shenzhen Stock Exchange | Research and development, production, sale and service of software and hardware for power consumption information collection systems | 95% | 12.30 |
| Company C | Shenzhen Stock Exchange | Provision of new energy information technology products and related services to power market players | 100% | 63.35 |
| Company D | Shenzhen Stock Exchange | Manufacturing and sale of wireless sensor network modules, wireless sensor network terminals (collectors) and gateways (concentrators) and other information collection equipment, including embedded applications for smart meter information collection related to water, gas, heat, electricity, and other utilities | 99% | 12.95 |
| Company E | Shenzhen Stock Exchange | Provision of informationization management products and services for enterprises in the energy industry | 91% | 36.51 |

| Company | The stock market on which the company is listed | Principal business | Share of revenues from energy and power-related industries (based on latest available data) | EV/EBITDA ratio |
|-----------|---|--|---|-----------------|
| Company F | Shanghai Stock Exchange | Information and energy interconnection solution provider | 94% | 12.00 |
| Company G | Shenzhen Stock Exchange | Engagement in power enterprise informationization construction business and provision of related technical and consulting services | 100% | 375.87 |
| | | Median | | 12.95 |

Source: S&P Capital IQ and WIND database

In the valuation process, the Independent Valuer uses the median as a multiplier instead of the mean because the median is not skewed by exceptionally high or low characteristic values. Additionally, the median provides a better measure of the central tendency of the group.

(d) the adjustments made to the valuation and the adjustment basis

The Independent Valuer has applied a lack of marketability discount (the “Lack of Marketability Discount”) in the valuation analysis. The Lack of Marketability Discount reflects the fact that there is no existing market for the shares of privately-held companies. Ownership interests in privately-held companies are generally not readily marketable as compared to similar interests in listed companies. As a result, the stock value of a private holding company is usually lower than other comparable shares of the public company. The Black Scholes option pricing model and Restricted Stock Studies Attempting to Measure the Marketability Discount for Private Firm by Job Aid for IRS Valuation Professionals – Discount for Lack of Marketability have been adopted to estimate the Lack of Marketability Discount. In particular:

- (1) The key inputs to the Black Scholes option pricing model include the following elements:
 - Liquidity time: It reflects the number of years since the assumed exit or liquidity event of the Target Company’s investors. A 6.5 year (June 30, 2030) liquidity period is applied assuming that a liquidity event (e.g., a merger or acquisition) may occur at that time;

- Implied stock volatility: Volatility is estimated primarily based on historical movements in the share prices of comparable companies over periods of time similar to the liquidity time. According to the calculation, the implied stock volatility is 49%;
- Risk-free interest rate: The risk-free interest rate is estimated primarily based on the yield on Chinese government bonds over a period of time similar to the liquidity time; and
- Dividend yield: The Target Company has not paid dividends in the past and has no plans to pay dividends in the future, so a nil dividend yield has been applied

Based on the above parameters and assumptions, the Lack of Marketability Discount of the valuation analysis is 36%.

- (2) According to the empirical data study by Restricted Stock Studies Attempting to Measure the Marketability Discount for Private Firm by Job Aid for IRS Valuation Professionals – Discount for Lack of Marketability, the Lack of Marketability Discount is 13% to 45%;

Considering both of these approaches, the Lack of Marketability Discount of 35.0% has been used in the valuation analysis.

The Independent Valuer has collected information of comparable companies based on the aforementioned selection criteria and conducted analysis. It is of the view that the value of the shareholders' equity of the Target Company as at December 31, 2023 was approximately RMB380 million (corresponding to the Sale Equity Interest of approximately RMB84 million, i.e., approximately RMB7.6/RMB1 registered capital).

The consideration for the Capital Increase of RMB25 million (corresponding to RMB10/RMB1 registered capital) to be paid to the Target Company was determined after arm's length negotiations between the parties to the Capital Increase Agreement with reference to the above valuation results and on the basis that certain standard minority shareholders' rights of the Target Company were granted to the Investor.

FINANCIAL EFFECTS OF THE EQUITY TRANSFER AND CAPITAL INCREASE

Upon Completion of Equity Transfer, Fourth Paradigm Beijing will hold 44% equity interest in the Target Company and will no longer control the majority of board of the Target Company, and the Target Company will cease to be a subsidiary of the Company and its financial results will be accounted for as an associate of the Company but will no longer be consolidated into the accounts of the Group. Based on the financial position of the Target Company as at December 31, 2023, the Company estimates that the gain will be around RMB20 million and unrealized financing income will be around RMB10 million upon Completion of the Equity Transfer. The actual gain to be recorded by the Company from the Equity Transfer is subject to audit by the Company's auditor.

Upon Completion of Capital Increase, Fourth Paradigm Beijing's interest in the Target Company will be diluted and it will hold 41.90% equity interest in the Target Company. The financial results of Target Company will be accounted for as an associate of the Company, and the direct business cooperation will be enhanced. Based on the financial position of the Target Company as at December 31, 2023, the Company estimates that the gain will be no more than RMB1 million upon Completion of the Capital Increase. The actual gain recorded by the Company from the Capital Increase is subject to audit by the Company's auditor.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AND CAPITAL INCREASE

Upon Completion of the Equity Transfer and the Capital Increase, the Group will have the opportunity to realize part of the investment returns, and will continue to generate the financial income from the Target Company as an associate.

In addition, in light of the satisfactory business performance of the Target Company, it will receive more funds for its future development upon the Capital Increase.

The Group will continue to strengthen its direct business cooperation with the Target Company. Based on the Target Company's efforts in digitalization and intelligentization within the energy and power industry, it will bring more strategic synergy and long-term returns to the Group.

Considering the basis of consideration and benefits of the Equity Transfer and Capital Increase set out above, the Directors are of the view that the Equity Transfer Agreement, the Capital Increase Agreement and the grant of the Repurchase Right were negotiated on an arm's length basis and entered into on normal commercial terms, which is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Target Company is an indirect non-wholly-owned subsidiary of the Company through its wholly-owned subsidiary Fourth Paradigm Beijing. As at the date of this announcement, the Group held 66% of the share capital of the Target Company. It is expected that the Group's shareholding in the Target Company will be 44% upon Completion of Equity Transfer, and the Group's shareholding in the Target Company will be further diluted to 41.90% upon Completion of Capital Increase. As the Equity Transfer has not yet been completed at the time of the signing of the Capital Increase Agreement, the Capital Increase, once materialised, will constitute a deemed disposal of the Company under Rule 14.29 of the Listing Rules. As both the Equity Transfer and the Capital Increase involve the Target Company and will take place within 12 months, and the Transferee and the Investor are controlled by the same general partner, the Equity Transfer and the Capital Increase should be aggregated into a series of transactions under Rule 14.22 of the Listing Rules, and the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transactions, when aggregated, exceeds 5% but is less than 25%.

In addition, with respect to the grant of the Repurchase Right to the Investor under the Shareholder Agreement, as the exercise of the Repurchase Right is not at the discretion of the Target Company or the Company, pursuant to Rule 14.74(1) of the Listing Rules, upon the grant of the Repurchase Right, the transaction will be categorized as if the Repurchase Right had been exercised. As one or more of the applicable percentage ratios in respect of the grant of the Repurchase Right is less than 5%, the grant of the Repurchase Right to the Investor under the Shareholder Agreement itself does not constitute a discloseable transaction under Chapter 14 of the Listing Rules. However, pursuant to Rule 14.24 of the Listing Rules, the grant of the Repurchase Right and the Transactions are considered to be a transaction involving both an acquisition and a disposal as the grant of the Repurchase Right is connected with the Transactions. The Company will categorize the transactions by reference to the higher of the percentage ratios of the grant of the Repurchase Right and the Transactions and will comply with the applicable requirements of the Listing Rules in accordance with such categorization. The Company will comply with Rule 14.74(2) of the Listing Rules when exercising the Repurchase Right (if any).

Based on the above, as the Transactions and the granting of the Repurchase Right as a whole constitute a discloseable transaction, they are subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The Group

The Group is an artificial intelligence software company which focuses on providing platform-centric artificial intelligence software which enables enterprises to develop their own decision-making artificial intelligence applications. Its enterprise-level solutions are designed to serve enterprises, rather than individuals. The Group offers platform-centric artificial intelligence 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.

Transferee

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, the Transferee, Ningbo Herong Shengjing Investment Management Partnership (寧波和榮盛景投資管理合夥企業(有限合夥)), is a limited partnership established in the PRC, which is principally engaged in investment activities, with its principal investment focus on technology enterprises. As at the date of this announcement, Beijing Fengshang Xinhe Investment Fund Management Company Limited (北京風尚欣和投資基金管理有限公司), a company established in the PRC with limited liability, is a general partner of the Transferee (which accounts for approximately 0.1000% of the partnership interest) and is controlled by Liu Mingkun, an Independent Third Party. The Transferee has three limited partners (all being Independent Third Parties), of which Chengdu Ruibo Kaiyuan Investment Company Limited (成都瑞博開元投資有限公司) holds more than thirty percent of the partnership interest (representing approximately 99.7384% of the partnership interest) and is controlled by Jin Zhi, an Independent Third Party, and the other two limited partners are (1) Gongqingcheng Helide Investment Partnership (Limited Partnership)

(共青城合利德投資合夥企業(有限合夥)) (representing approximately 0.1010% of the partnership interest), with an individual, being Independent Third Party, acting as its executive partner and partner with partnership interest of 20%, and another individual, being Independent Third Party, as the other partner with partnership interest of 80%; and (2) Beijing Hongjing Jiakun Technology Development Company Limited (北京鴻璟嘉錕科技發展有限公司) (representing approximately 0.0606% of the partnership interest), which is controlled by Shao Zhengyu, an Independent Third Party.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Transferee and its ultimate beneficial owners are Independent Third Parties.

Investor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, the Investor, Lianyungang Xinneng New Industry Venture Capital Fund Partnership (Limited Partnership) (連雲港欣能新興產業創業投資基金合夥企業(有限合夥)), is a limited partnership established in the PRC, which is principally engaged in investment activities, with its principal investment focus on emerging industries. As at the date of this announcement, Beijing Fengshang Xinhe Investment Fund Management Company Limited (北京風尚欣和投資基金管理有限公司), a company established in the PRC with limited liability, is a general partner of the Investor (which accounts for approximately 0.0303% of the partnership interest) and is controlled by Liu Mingkun, an Independent Third Party. The Investor has five limited partners, all of which are Independent Third Parties. The limited partners holding more than thirty percent of the partnership interest are (1) Beijing Hongjing Jiakun Technology Development Company Limited (北京鴻璟嘉錕科技發展有限公司) (accounting for approximately 39.3820% of the partnership interest), which is controlled by Shao Zhengyu, an Independent Third Party; and (2) Chengdu Ruibo Kaiyuan Investment Company Limited (成都瑞博開元投資有限公司) (accounting for approximately 33.3232% of the partnership interest), which is controlled by Jin Zhi, an Independent Third Party. Other limited partners holding less than thirty percent of the partnership interest are (1) Sichuan Yongmao Commerce Co., Ltd. (四川永茂商貿有限公司) (accounting for approximately 15.1469% of the partnership interest), which is controlled by an individual, being Independent Third Party; (2) Qingdao Xinyu Private Equity Investment Fund Partnership (Limited Partnership) (青島欣裕私募股權投資基金合夥企業(有限合夥)) (accounting for approximately 9.0882% of the partnership interest), with Beijing Fengshang Xinhe Investment Fund Management Company Limited (北京風尚欣和投資基金管理有限公司) acting as an executive partner with a contribution ratio of 0.0200%, and another three limited partners, namely (i) Beijing Hongjing Jiakun Technology Development Company Limited, accounting for 87.9824% of total capital contributions, (ii) Chengdu Ruibo Kaiyuan Investment Company Limited, accounting for 9.9980% of total capital contributions, and (iii) another individual, being Independent Third Party, with a capital contribution ratio of 1.9996%; and (3) an individual, being Independent Third Party (accounting for approximately 3.0294% of the partnership interest).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Investor and its ultimate beneficial owners are Independent Third Parties.

Target Company

The Target Company, a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company as at the date of this announcement, is a service provider of digitalization and intelligent platforms for the energy and power industries. 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 power industries. As at the date of this announcement, the Group held 66% equity interest in the Target Company, and the remaining 34% interest in the Target Company is owned as to approximately 23.97% by Guangzhou Shibe and approximately 10.03% by Guangzhou Jianyun. The general partner of Guangzhou Shibe is Guangzhou Shifeng and the limited partners are Tang Piaolin, Zhang Zhenhua and Liu Yong. The general partner of Guangzhou Jianyun is Guangzhou Shifeng and the limited partners are Tang Piaolin, Zhang Zhenhua, Liu Yong, Zeng Min, Jiang Feiyong and remaining 11 natural persons who are Independent Third Parties. Guangzhou Shifeng is controlled by Tang Piaolin, who holds approximately 77.67% interest in Guangzhou Shifeng, and the remaining approximately 22.33% equity interest in Guangzhou Shifeng is held as to approximately 15.33% by Zhang Zhenhua and approximately 7.00% by Liu Yong. Tang Piaolin, Zhang Zhenhua and Liu Yong are directors of the Target Company, and Zeng Min and Jiang Feiyong are supervisors of the Target Company.

Set out below is a summary of the unaudited consolidated financial information of the Target Company for the two years ended December 31, 2021 and December 31, 2022, respectively, which has been extracted from the Target Company's financial statements prepared in accordance with International Financial Reporting Standards:

| | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|--------------------------|---|---|
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(approximately)</i> | <i>(approximately)</i> |
| Profit/(loss) before tax | 27,904 | (32,584) |
| Profit/(loss) after tax | 25,738 | (37,245) |
| Net assets | 138,578 | 112,839 |

Set out below is the shareholding structure of the Target Company immediately before and after Completion of the Equity Transfer and the Capital Increase:

| Shareholders | Prior to Completion of the Equity Transfer and the Capital Increase | | After Completion of the Equity Transfer and the Capital Increase | |
|-------------------------|---|--------------|--|--------------|
| | Subscribed registered capital (RMB 0'000) | Shareholding | Subscribed registered capital (RMB 0'000) | Shareholding |
| Fourth Paradigm Beijing | 3,300.00 | 66.00% | 2,200.00 | 41.90% |
| Guangzhou Shibe | 1,198.51 | 23.97% | 1,198.51 | 22.83% |
| Guangzhou Jianyun | 501.49 | 10.03% | 501.49 | 9.55% |
| Transferee | – | – | 1,100.00 | 20.95% |
| Investor | – | – | 250.00 | 4.76% |
| Total | <u>5,000.00</u> | <u>100%</u> | <u>5,250.00</u> | <u>100%</u> |

USE OF PROCEEDS

The gross proceeds from the Equity Transfer amounted to RMB88,000,000, and the Company intends to use the proceeds as its general working capital.

The gross proceeds from the Capital Increase amounted to RMB25,000,000, and the Target Company intends to use the proceeds for the promotion, research and development, production and daily operation of the Target Company's core business.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

| | |
|---------------------------------|--|
| “Board” or “Board of Directors” | Board of Directors |
| “Business Days” | Any day(s) other than a Saturday, Sunday or statutory holiday in the PRC |
| “Capital Increase” | Pursuant to the Capital Increase Agreement, the Investor intends to subscribe for the corresponding equity interest of RMB2,500,000 (representing approximately 4.76% of its enlarged registered capital) in the newly increased registered capital of the Target Company by way of a capital injection of RMB25,000,000 |
| “Capital Increase Agreement” | The capital increase agreement dated February 9, 2024 entered into between the Target Company and the Investor in relation to the subscription of additional registered capital of the Target Company |

| | |
|----------------------------------|--|
| “China” or “PRC” | The People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong and Macao Special Administrative Regions of the PRC and Taiwan |
| “Company” | Beijing Fourth Paradigm Technology Co., Ltd. (北京第四範式智能技術股份有限公司), a company incorporated in the PRC limited liability on September 17, 2014 and converted into a joint stock limited liability company incorporated in the PRC on July 9, 2021, whose predecessor was 北京第四範式智能技術有限公司 |
| “Completion of Capital Increase” | Completion of the proposed capital increase under the Capital Increase Agreement |
| “Completion of Equity Transfer” | Completion of the proposed equity transfer under the Equity Transfer Agreement |
| “Directors” | Directors of the Company |
| “Equity Transfer” | Proposed acquisition of equity interest in the Target Company by the Transferee contemplated under the Equity Transfer Agreement |
| “Equity Transfer Agreement” | The equity transfer agreement dated February 9, 2024 entered into among Fourth Paradigm Beijing, the Target Company and the Transferee in relation to the transfer of equity interest in the Target Company |
| “Fourth Paradigm Beijing” | Fourth Paradigm (Beijing) Technology Co., Ltd. (formerly known as 北京物思創想科技有限公司), a company established in the PRC with limited liability on May 12, 2015, and a wholly-owned subsidiary of the Company |
| “Guangzhou Jianxin” | Guangzhou Jianxin Technology Limited Liability Company (formerly known as Guangzhou Jianxin Automation Technology Co., Ltd.), a company established in the PRC with limited liability on April 6, 2005, which is an indirect non-wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to the Completion of Equity Transfer |
| “Guangzhou Jianyun” | Guangzhou Jianyun Enterprise Management Center (Limited Partnership), a limited partnership established in the PRC, which is a substantial shareholder of the Target Company as at the date of this announcement |

| | |
|--|---|
| “Guangzhou Shibeì” | Guangzhou Shibeì Business Partnership (Limited Partnership), a limited partnership established in the PRC, which is a substantial shareholder of the Target Company as at the date of this announcement |
| “Guangzhou Shifeng” | Guangzhou Shifeng Technology Company Limited, a company incorporated in the PRC with limited liability on February 24, 2022, which is the general partner of Guangzhou Shibeì and Guangzhou Jianyun, respectively, as at the date of this announcement, and thus a deemed substantial shareholder of the Target Company |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” or “Stock Exchange” | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “Independent Third Party(ies)” | To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, independent third parties are independent of, and not connected with, the Company and its connected persons (as defined in the Hong Kong Listing Rules) |
| “Independent Valuer” | Shanghai PG Enterprise Management Consulting Co., Ltd., an independent valuer qualified in the PRC, who has extensive experience in asset valuation in Hong Kong and the PRC |
| “Investor” | Lianyungang Xinneng New Industry Venture Capital Fund Partnership (Limited Partnership), a limited partnership established in the PRC, which is a third party independent of the Company and its connected persons |
| “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 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “Sale Equity Interest” | Corresponding equity interest of RMB11,000,000 in the registered capital of the Target Company (representing 22% of its registered capital), being the subject of the Equity Transfer Agreement |

| | |
|-------------------------|---|
| “Shareholder Agreement” | the Shareholder Agreement dated February 9, 2024 entered into among Fourth Paradigm Beijing, the Target Company, Guangzhou Shibe, Guangzhou Jianyun, the Transferee, and the Investor, with effect upon its execution |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiary(ies)” | has the meaning ascribed thereto under the Listing Rules |
| “Target Company” | Guangzhou Jianxin |
| “Transactions” | Equity Transfer and Capital Increase |
| “Transferee” | Ningbo Herong Shengjing Investment Management Partnership (Limited Partnership), a limited partnership established in the PRC, which is a third party independent of the Company and its connected persons |
| “%” | Percentage |

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

Hong Kong, February 9, 2024

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