



百融云创

Bairong Inc.

(A company controlled through weighted voting rights and
incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立以不同投票權控制的有限責任公司)

Stock Code 股份代號 : 6608

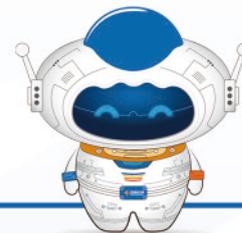


2022

INTERIM REPORT

中期報告

CONTENTS



2	Company information
4	Key highlights
5	Business review
10	Business outlook
11	Management discussion and analysis
18	Corporate governance
23	Other information
37	Review report to the Board of Directors
38	Consolidated statement of profit or loss
39	Consolidated statement of profit or loss and other comprehensive income
40	Consolidated statement of financial position
43	Consolidated statement of changes in equity
44	Condensed consolidated statement of cash flows
45	Notes to the unaudited interim financial report
73	Definitions





COMPANY INFORMATION

Executive Directors

Mr. Zhang Shaofeng (*Chairperson and CEO*)
Mr. Zhao Hongqiang
Ms. Zhao Jing

Non-executive Directors

Mr. Bai Linsen
Mr. Ren Xuefeng

Independent non-executive Directors

Professor Chen Zhiwu
Mr. Zhou Hao
Professor Guo Yike
Dr. Li Yao

Audit committee

Mr. Zhou Hao (*Chairperson*)
Mr. Bai Linsen
Professor Chen Zhiwu

Remuneration committee

Professor Chen Zhiwu (*Chairperson*)
Mr. Zhou Hao
Mr. Bai Linsen

Nomination committee

Mr. Zhou Hao (*Chairperson*)
Mr. Zhang Shaofeng
Professor Guo Yike

Corporate governance committee

Professor Chen Zhiwu (*Chairperson*)
Mr. Zhou Hao
Professor Guo Yike

Joint company secretaries

Mr. Chen Chunyang
Ms. Leung Shui Bing

Authorised representatives

Mr. Zhao Hongqiang
Ms. Leung Shui Bing

Headquarters

1–3/F, Tower A, No.10 Furong Street
Chaoyang District, Beijing, China

Principal place of business in Hong Kong

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay, Hong Kong

Registered office

PO Box 309, Ugland House
Grand Cayman KY1-1104, Cayman Islands

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building, 10 Chater Road
Central, Hong Kong

Legal advisers

As to Hong Kong and U.S. laws

Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Central, Hong Kong

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Compliance adviser

CMBC International Capital Limited
45/F One Exchange Square
8 Connaught Place, Central, Hong Kong



COMPANY INFORMATION (CONTINUED)

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen’s Road East, Wan Chai, Hong Kong

Principal share registrar and transfer office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102, Cayman Islands

Principal bank

China Merchants Bank
(Beijing Yuquan Road sub-branch)

Stock code

6608

Company website

www.brgroup.com

KEY HIGHLIGHTS

Financial Summary

	Six months ended June 30,		
	2022 (unaudited)	2021 (unaudited)	Change (%)
	(RMB in thousands, except percentages)		
Revenue	945,181	791,473	19
Smart analytics and operation services	443,522	302,792	46
Precision marketing services	220,331	245,694	-10
Insurance distribution services	281,328	242,987	16
Gross profit	677,581	577,273	17
Operating profit	92,013	68,838	34
Profit/(loss) for the period ^(note)	93,370	(3,638,882)	N/A
<i>Non-IFRS measures</i>			
Non-IFRS profit for the period	125,912	98,751	28
Non-IFRS EBITDA	168,417	149,057	13

Note: Our net loss was RMB3,638.88 million for the six months ended June 30, 2021, which was mainly attributable to a loss of RMB3,697.29 million on changes in fair value of redeemable convertible preferred shares. Upon the completion of the Listing, our redeemable convertible preferred shares were converted into our ordinary shares, and no further loss or gain on changes in fair value of the redeemable convertible preferred shares will be recorded afterwards.

Operating Metrics

	Six months ended June 30,		
	2022 (unaudited)	2021 (unaudited)	Change (%)
Revenue from Key FSP clients (RMB in thousands)	772,277	628,423	23
Number of Key FSP clients	200	177	13
Average revenue per Key FSP client (RMB in thousands)	3,861	3,550	9
Retention rate of Key FSP clients	94%	88%	6 pct



BUSINESS REVIEW

Financial Review

For the six months ended June 30, 2022, our revenue reached RMB945.18 million, representing an increase of 19.4% from RMB791.47 million for the six months ended June 30, 2021. In particular, our smart analytics and operation business maintained rapid growth, with its revenue increasing by 46.5% year-on-year to RMB443.52 million. Our precision marketing business gradually recovered, with its revenue reaching RMB220.33 million. Our insurance distribution business managed to buck the trend and grow in a subdued industry environment, with its revenue increasing by 15.8% year-on-year to RMB281.33 million. Our gross profit reached RMB677.58 million, representing an increase of 17.4% from RMB577.27 million for the six months ended June 30, 2021. Our gross profit margin maintained at a high level of 71.7%. Our net profit reached RMB93.37 million and our net profit margin reached 9.9%. Our adjusted net profit reached RMB125.91 million, representing an increase of 27.5% from RMB98.75 million for the six months ended June 30, 2021.

As of June 30, 2022, we had served more than 6,000 financial institutions in China. Our clients include all of the six state-owned banks, 12 joint-equity banks, more than 950 regional banks, as well as major consumer finance companies, insurance companies and a variety of other licensed FSPs. During the Reporting Period, the number of our Key FSP clients reached 200, representing an increase of 23 from 177 for the six months ended June 30, 2021. Our average revenue per Key FSP client reached RMB3.86 million, representing an increase of 8.8% from RMB3.55 million for the six months ended June 30, 2021. Owing to our deep understanding of client needs and growing client trust, the retention rate of our Key FSP clients remained high, which further increased to 93.8% for the six months ended June 30, 2022.

Operations Review

Digital transformation has become a core direction for the financial service industry in China. Recently, the People's Bank of China issued the Financial Technology Development Plan (2022–2025) (金融科技發展規劃(2022–2025年)), which called on FSPs to propel a high-quality financial digital transformation, and to establish a modern financial system that fits the digital economy era. The industry showed growing digital needs: for the analytics sector, banks are leveraging big data technology to establish proprietary risk control systems and to make smart data-driven decisions at a faster speed at a lower cost; for the operations sector, banks are setting up digital banking departments or digital finance departments to accurately tap the needs of different user groups and provide refined services.

As a leader in the facilitation of the Chinese financial service industry's smart digital transformation, we developed a proprietary AI and cloud-based SaaS platform, which leverages AI, cloud computing, blockchain and machine learning technologies to provide FSPs with highly adaptable, secured and reliable products and solutions. Built upon our long-term industry understanding and user insights, we provide a comprehensive product and solution matrix covering the entire business process spanning smart user acquisition, smart analysis, smart decision-making, smart operations, and smart wealth management, etc. Recently, we ranked as the highest-scored financial SaaS enterprise among the "Top 100 Enterprises Driving Digital Transformation in 2022" (2022數字化轉型推動企業100強) by the Internet Weekly (互聯網周刊) of Chinese Academy of Sciences, joining Tencent, Alibaba, Baidu, Huawei and other industry leaders on the list in facilitating the digital transformation of the economy.



BUSINESS REVIEW (CONTINUED)

Moreover, the innovation and security of information technology has risen to become a national strategy. China's "14th Five-Year Plan" stated the importance of developing proprietary basic hardware, basic software, application software and information security software, and proposed to establish more secure and controllable information technology systems. In response, major state-owned banks, joint-equity banks and regional banks sped up the creation and development of homemade information systems.

As a key player in supporting China's information innovation and security, we have been actively exploring solutions to protect information security and data privacy. One of our proprietary flagship products, the relationship mapping system, enables FSPs to make credit decisions for various scenarios by efficiently delivering evaluation results to FSPs while encrypting user information throughout the entire process. The high-tech product could process real-time calculation and queries of billions of elements, tens of billions of element relationships, and thousands of derived features, with average daily query volume of over one billion and average response time of less than 5 milliseconds.

Another proprietary product, Indra, a secure multi-party computing platform developed by Bairong AI Lab, realizes data collaboration, computing and modelling while maintaining data at isolated locations with high data privacy protection. The high-tech product ranked among the "Top Ten Innovation Cases of Digital Economy in 2022" (2022數字經濟十大創新案例) by the Internet Weekly (互聯網周刊) of Chinese Academy of Sciences in June 2022. This year, we officially joined the "Privacy-Preserving Computing Alliance" (隱私計算聯盟) launched by China Academy of Information and Communications Technology as a member entity, which marked that our digital technology innovation and security capabilities have received authoritative acknowledgement.

During the COVID-19 outbreak, digital industries such as the Internet, cloud computing, big data and AI have demonstrated strong resilience and potential and provided a solid support for the economy. As a leading industry player, we not only supported the industry recovery, but also managed to achieve a double-digit revenue growth.

Smart analytics and operation services

For the six months ended June 30, 2022, our smart analytics and operation business continued to maintain a strong growth, with revenue increasing by 46.5% year-on-year to RMB443.52 million. During the Reporting Period, the number of Key FSP clients reached 141, representing an increase of 16 from 125 for the six months ended June 30, 2021, while average revenue per Key FSP client grew by 31.5% to RMB2.59 million from RMB1.97 million for the six months ended June 30, 2021. Specifically, the revenue from our smart operation business grew by 297% year-on-year to RMB96.53 million for the six months ended June 30, 2022, accounting for 21.8% of the smart analytics and operation business, rising from 8.0% for the six months ended June 30, 2021.



BUSINESS REVIEW (CONTINUED)

Our smart data analytics business provides scoring products and user profiling products to FSPs. We package various products into customized modules, and through our highly efficient AI-powered and cloud-native SaaS platform, supplied those to FSPs tailored to their specific needs. In addition to products on queries, we also provide customized solutions by assigning expert teams to conduct on-site interviews and research, thus acquiring hands-on understandings. We charge service fees based on query volumes or on an annual basis. One of our flagship solutions, the decision-making engine, after passing the Huawei Cloud Ecological Product Certification, officially joined the Huawei Kunpeng Partnership Program this year, which signalled the authoritative recognition for our innovative research and development capabilities, and enabled us to join hands with multiple industry players to collaborate a new cloud-based architecture and explore more opportunities.

For smart operation business, it saw booming demands as FSPs gradually shifted their focus from competition of new users to refined management of existing users. We promptly seized the opportunity by providing FSPs with a full-cycle operation solution to reactivate their existing user pools. Within the service cycle, FSPs entrust the operation and management of their existing users to us. We leverage our professional data analytic capabilities to divide users into different groups, and approached different groups via our proprietary smart AI-powered voicebot, SMS, app, manual or other methods. Throughout the operation cycle, we adopt machine learning technology to capture real-time user reactions, which in turn optimizes our natural language processing capabilities. We also assign expert teams to optimize scripts and strategies etc. to improve user conversion rate. We charge service fees based on rate of successful conversions. In the first half of 2022, our smart voice product has obtained two national patents, ensuring that our smart voice products can smoothly simulate manual communication with users. Another flagship solution, our digital operation cloud platform, connects numerous merchants with major payment traffic tools such as WeChat Pay, Alipay and UnionPay QuickPass. Through the platform, we assist banks and other FSPs to activate users by launching customized marketing activities with coupons or benefits from merchants. Moreover, our cloud architecture enables our platform to standardize its services and automate its infrastructure deployment, thus expanding our client base rapidly.

Key metrics of smart analytics and operation services

	Six months ended June 30,		
	2022	2021	Change (%)
Revenue from smart analytics and operation (RMB in thousands)	443,522	302,792	46
Revenue contribution from Key FSP clients (RMB in thousands)	365,226	245,588	49
Number of Key FSP clients	141	125	13
Average revenue per Key FSP client (RMB in thousands)	2,590	1,965	32
Percentage of revenue contribution from Key FSP clients	82%	81%	1 pct
Retention rate of Key FSP clients	94%	89%	5 pct

BUSINESS REVIEW (CONTINUED)

Precision Marketing Services

Our precision marketing business converges user traffic from multiple channels, and adopts core technologies such as AI and big data to differentiate users based on multi-dimensional profiles. We filter out high-quality users, detect their marketing intentions, and match them with appropriate financial products. We charge marketing service fees based on number of successful recommendations. For the six months ended June 30, 2022, our precision marketing services recorded a revenue of RMB220.33 million, lower than that of the same period last year, mainly due to a high base from the first half of 2021, pumped by a one-time intensive release of accumulated marketing budget of FSPs. Compared with the second half of 2021, revenue from precision marketing services has recovered significantly. As more consumer finance policies settle down, the industry is seeing clearer certainties, and top players will greet a healthy, orderly and sustainable development.

Key metrics of precision marketing services

	Six months ended June 30,		
	2022	2021	Change (%)
Revenue from precision marketing (RMB in thousands)	220,331	245,694	-10
Loan facilitation volume (RMB in thousands)	8,067,146	8,036,586	0.4
Take rate	2.7%	3.1%	-0.4 pct

Insurance Distribution Services

Our insurance distribution business, namely Liming, operates over 100 sales offices in more than 20 provinces, and efficiently supported over 5,000 insurance brokers through Liming Box, a multifunctional app that integrates customer management system (CRM), talent management system (TMS) and insurance data solutions (IDS) toolsets. The business, empowered by the app, improves the efficiency of brokers with higher-than-average personal capacity. In the first half of 2022, despite a negative influence of COVID-19 and the overall fatigue across the insurance industry, our insurance distribution business bucked the trend with revenue increasing by 15.8% year-on-year to RMB281.33 million. During the Reporting Period, the average duration of life insurance policies we sold exceeded 10 years, indicating the stability of our cash flow and the strong potential for our future profit. The persistency rate of our life insurance premiums continued to exceed 90%, ranking among the top in the industry.



BUSINESS REVIEW (CONTINUED)

Key metrics of insurance distribution services

	Six months ended June 30,		
	2022	2021	Change (%)
	(RMB in thousands, except percentages)		
Revenue from insurance distribution	281,328	242,987	16
Revenue from the first year premiums	230,583	207,000	11
First year premiums	534,499	471,925	13
Revenue from the renewal premiums	50,745	35,987	41
Renewal premiums	470,936	272,757	73



BUSINESS OUTLOOK

In the second half of 2022, we will adhere to our “client-centric” belief, expand our client base, improve our client trust, enhance our client loyalty, and maintain our high key client retention rate. We will also follow our “land and expand” business model, extend application scenarios, develop customized products and solutions, explore more growth curves and enhance our business penetration amongst individual clients to further raise average revenue per client.

Going forward, we believe the financial service industry will face three uprising trends: firstly, smart operations will gain more spotlights; secondly, the wealth management market will see unprecedented opportunities; thirdly, inclusive finance will become an important topic. Based on our exceptional technology capabilities and profound industry know-how, we will capture these industry opportunities, continue to enrich our product matrix and explore more growth curves, including but not limited to:

- **Smart operations:** Smart operations constitute a key part of the digital transformation of financial institutions. According to third-party estimates, the market size of smart operation and marketing for FSPs will reach RMB60 billion by 2026. Compared to traditional operations, smart operations involves more emerging technologies such as cloud computing, blockchain, machine learning, AI and privacy computing, which matches our core advantages. Our widely recognized model capabilities can assist FSPs to accelerate the applications of cutting-edge technologies, and our advanced user approaching and marketing tools can assist FSPs to build an efficient full-cycle service model to reactivate existing users.
- **Wealth management:** According to the “Bank of China Personal Finance Asset Global Allocation White Paper 2022” (2022中國銀行個人金融全球資產配置白皮書), the share of real estate in residents’ asset portfolios has dropped from previously nearly 80% to around 62%, and the share of wealth management products has been increasing year by year. The wealth management market is huge with multiplayers including banks, securities dealers, insurance companies and many other institutional participants. China’s wealth management industry is undergoing a transformation from “product-centric” mode to “user-centric” mode, and consists of three core links, user insight and operations, user asset planning, and user investment strategy education. Those industry characters impose higher technical requirements for data analytics and precise matching, which also matches our core advantages.
- **Inclusive finance:** The “14th Five-Year Plan” calls on FSPs to leverage data technology to support the development of inclusive financial services, green financial services and rural financial services. Our core technologies enable banks to improve their credit risk identification works of small and micro enterprises, thus empowering FSPs to precisely identify users and provide financial products to alleviate the financing difficulties of and ease cash flow pressures on small, medium and micro enterprises and self-employed entrepreneurs.



MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30,

2022 2021
(Unaudited) (Unaudited)

(RMB in thousands)

Revenues		
Smart analytics and operation services	443,522	302,792
Precision marketing services	220,331	245,694
Insurance distribution services	281,328	242,987
Total revenues	945,181	791,473
Cost of sales	(267,600)	(214,200)
Gross profit	677,581	577,273
Other income/(loss)	95,355	(32,243)
Research and development expenses	(159,946)	(114,070)
General and administrative expenses	(132,532)	(124,164)
Sales and marketing expenses	(388,436)	(237,752)
Impairment loss	(9)	(206)
Profit from operations	92,013	68,838
Finance income	3,773	3,261
Finance costs	(6,270)	(4,576)
Changes in fair value of redeemable convertible preferred shares	—	(3,697,294)
Profit/(loss) before taxation	89,516	(3,629,771)
Income tax benefit/(expense)	3,854	(9,111)
Profit/(loss) for the period	93,370	(3,638,882)
Attributable to:		
Equity shareholders of the Company	98,925	(3,641,887)
Non-controlling interests	(5,555)	3,005
Total comprehensive income for the period	93,370	(3,638,882)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue

Our total revenue increased by 19% from RMB791.47 million for the six months ended June 30, 2021 to RMB945.18 million for the six months ended June 30, 2022, primarily attributable due to industry growth and our enhanced capabilities of providing products and services.

Our revenue from smart analytics and operation services increased by 46% from RMB302.79 million for the six months ended June 30, 2021 to RMB443.52 million for the six months ended June 30, 2022, primarily attributable to improvement of our comprehensive product ecosystem and growing demand from our FSP clients.

Our revenue from precision marketing services decreased by 10% from RMB245.69 million for the six months ended June 30, 2021 to RMB220.33 million for the six months ended June 30, 2022, primarily attributable to the growth rate increased strongly due to the market rebound in the first half year of 2021 and return to the normal level for the first half year of 2022.

Our revenue from insurance distribution services increased by 16% from RMB242.99 million for the six months ended June 30, 2021 to RMB281.33 million for the six months ended June 30, 2022, primarily attributable to our broker team's improved productivity.

Cost of sales

The cost of sales increased by 25% from RMB214.20 million for the six months ended June 30, 2021 to RMB267.60 million for the six months ended June 30, 2022, primarily attributable to an increase of RMB46.26 million in data service costs driven by significant increase in revenues.

Gross profit and gross margin

As a result of the foregoing, the Group's gross profit increased by 17% from RMB577.27 million for the six months ended June 30, 2021 to RMB677.58 million for the six months ended June 30, 2022. The Group's gross margin was 72% for the six months ended June 30, 2022 and 73% for the six months ended June 30, 2021.

Research and development expenses

The Group's research and development expenses increased by 40% from RMB114.07 million for the six months ended June 30, 2021 to RMB159.95 million for the six months ended June 30, 2022, primarily attributable to increases in the staff costs of our research and development personnel to support product offerings and technology development.

General and administrative expenses

The Group's general and administrative expenses increased by 7% from RMB124.16 million for the six months ended June 30, 2021 to RMB132.53 million for the six months ended June 30, 2022, primarily attributable to an increase of daily office expense.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales and marketing expenses

Our sales and marketing expenses increased by 63% from RMB237.75 million for the six months ended June 30, 2021 to RMB388.44 million for the six months ended June 30, 2022, primarily due to an increase of RMB51.01 million of advertising and information technology services expenses, an increase of RMB28.75 million in staff costs and RMB62.29 million increase in outsourced sales service fees to grow our customer base and to establish a professional sales force. The increase in advertising and information technology services expenses were mainly due to our continuous promotional efforts to obtain high-quality traffic and improve conversion efficiency. The increase of staff costs was due to expansion of the selling and marketing teams to support our business development.

Other income/(loss)

Our net other income was RMB95.36 million for the six months ended June 30, 2022, compared with net other loss of RMB32.24 million for the six months ended June 30, 2021. This is due to an increase of RMB85.88 million in favourable foreign exchange variance due to the appreciation of USD against RMB, an increase of RMB24.51 million in the interest income from time deposits and an increase of RMB14.09 million in fair value change and gains from our investments.

Changes in fair value of redeemable convertible preferred shares

Upon the completion of the Listing, our redeemable convertible preferred shares were converted into our ordinary shares. Therefore, no change in fair value of the redeemable convertible preferred shares was recorded for the six months ended June 30, 2022.

Profit/(loss) for the period

As a result of the foregoing, the Group's profit for the six months ended June 30, 2022 was RMB93.37 million, compared with a loss of RMB3,638.88 million for the six months ended June 30, 2021.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use non-IFRS profit and non-IFRS EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated statement of profit or loss in the same manner as they help our management. However, our presentation of non-IFRS profit and non-IFRS EBITDA 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 you should not consider them in isolation from, or as substitutes for an analysis of, our results of operations or financial condition as reported under IFRSs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

We define non-IFRS profit as profit/(loss) for the period, excluding share-based compensation, fair value changes of redeemable convertible preferred shares and listing expenses. We define non-IFRS EBITDA as EBITDA excluding share-based compensation, fair value changes of redeemable convertible preferred shares, and listing expenses. We exclude these items because they are not expected to result in future cash payments that are recurring in nature and they are not indicative of our core operating results and business outlook.

The following table reconciles our non-IFRS profit for the six months ended June 30, 2021 and 2022 and non-IFRS EBITDA presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit/(loss) for the period:

Reconciliation of profit/(loss) to non-IFRS profit for the period:

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Profit/(loss) for the period	93,370	(3,638,882)
Add		
Share-based compensation ⁽¹⁾	32,542	11,123
Changes in fair value of redeemable convertible preferred shares ⁽²⁾	—	3,697,294
Listing expenses ⁽³⁾	—	29,216
Non-IFRS profit for the period	125,912	98,751

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Reconciliation of profit/(loss) to EBITDA and non-IFRS EBITDA for the period:

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Profit/(loss) for the period	93,370	(3,638,882)
Add		
Finance income	(3,773)	(3,261)
Finance costs	6,270	4,576
Income tax (benefit)/expense	(3,854)	9,111
Depreciation	38,984	39,393
Amortization	4,878	487
EBITDA	135,875	(3,588,576)
Add		
Share-based compensation ⁽¹⁾	32,542	11,123
Changes in fair value of redeemable convertible preferred shares ⁽²⁾	—	3,697,294
Listing expenses ⁽³⁾	—	29,216
Non-IFRS EBITDA	168,417	149,057

Notes:

- (1) Share-based compensation relates to the share options and share award scheme that we granted under our share incentive plans, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (2) Fair value changes of redeemable convertible preferred shares represent the losses arising from change in fair value of our issued redeemable convertible preferred shares, which were recognised as financial liability at fair value through profit or loss. Such changes will no longer exist after the automatic conversion of our redeemable convertible preferred shares to equity upon the Listing and are non-cash in nature and are not directly related to our operating activities.
- (3) Listing expenses relates to the Global Offering, which is one-off in nature and is not directly related to our operating activities.

Liquidity and source of funding and borrowing

Other than the proceeds from the Listing, we have historically funded our cash requirements principally from cash generated from our operations and shareholder equity contributions.

The Group had cash and cash equivalents and time deposits of RMB2,862.52 million and RMB3,546.49 million as of June 30, 2022 and December 31, 2021. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents as deemed adequate by our senior management to finance our operations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at June 30, 2022, the Group had bank loans of approximately RMB25.00 million. The table below sets forth our short-term bank loans:

Short term loans	Loan Balance	Loan Period	Interest Rate
	(RMB'000)		(per annum unless otherwise stated)
Bank of Beijing	5,000	1 year	4.05%
Zhongguancun Bank	5,000	1 year	6.50%
China Minsheng Banking Corp., Ltd	10,000	1 year	4.00%
Bank of Jiangsu	5,000	1 year	5.05%

Significant Investments

The Group did not make or hold any significant investments during the six months ended June 30, 2022.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended June 30, 2022.

Pledge of assets

The Group had not pledged any of our assets as at June 30, 2022.

Future plans for material investments or capital asset

Save for the expansion plan as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

As at June 30, 2022, the Group's gearing ratio (i.e. total liabilities divided by total assets) was 0.13 (as at December 31, 2021: 0.15).

Foreign exchange exposure

During the six months ended June 30, 2022, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's consolidated affiliated entities' functional currency. As at June 30, 2022, except for the bank deposits and investments denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. The Group had entered into several foreign exchange options to manage its foreign exchange exposure risks.

Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2022.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital commitment

The Group had no material capital commitment as at June 30, 2022.

Employees and remuneration

As at June 30, 2022, the Group had a total of 1,350 employees. The following table sets forth the total number of employees by function as of June 30, 2022:

Function	As of June 30, 2022
Sales and marketing	302
Research and development	656
Customer service	149
General administration	243
Total	1,350

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive compensation packages, including competitive salaries, performance-based cash bonuses, and other incentives. The total remuneration cost incurred by the Group for the six months ended June 30, 2022 was RMB334.57 million, as compared to RMB207.93 million for the six months ended June 30, 2021.

The Company also has adopted a post-IPO share option scheme and a share award scheme to incentivize its employees.

To maintain the quality, knowledge and skill levels of our employees, we regularly organize training activities for our employees.



CORPORATE GOVERNANCE

Weighted voting rights

The Company is controlled through weighted voting rights. Under this structure, the Shares comprises Class A Shares and Class B Shares. Each Class A Share entitles the holder to exercise 10 votes, and each Class B Share entitles the holder to exercise one vote, on any resolution tabled at the Company's general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote.

The WVR structure enables the WVR Beneficiary to exercise voting control over the Company notwithstanding that the WVR Beneficiary does not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control the Company with a view to its long-term prospects and strategy.

Investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Investors should make the decision to invest in the Company only after due and careful consideration.

As of June 30, 2022, the WVR Beneficiary is Mr. Zhang. Mr. Zhang is interested in 82,806,129 Class A Shares, representing approximately 65.90% of the voting rights in the Company, and entitled to control 16,493,486 Class B Shares representing approximately 1.31% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Genisage Tech Inc., which is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family.

Class A Shares may be converted into Class B Shares on a one-to-one ratio. As of June 30, 2022, upon conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 82,806,129 Class B shares, representing 19.32% of the total number of issued and outstanding Class B Shares or 16.19% of the issued Shares.

The weighted voting rights attached to the Class A Shares will cease when the WVR Beneficiary has no beneficial ownership of any of the Class A Shares, in accordance with 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when Class A Shareholders have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;



CORPORATE GOVERNANCE (CONTINUED)

- (iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule; or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

Compliance with the Corporate Governance Code

Save as disclosed below, the Company had complied with the applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules during the Reporting Period.

Code provision C.2.1 of the Corporate Governance Code, recommends, but does not require, that the roles of chairperson and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Zhang performs both the roles of the chairperson of the Board and the chief executive officer of the Company. Mr. Zhang is the founder of the Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairperson and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively.

Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairperson and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

In light of the amendments to the CG Code which came into effect on January 1, 2022 and impose additional requirements applicable to corporate governance reports for the financial years commencing on or after January 1, 2022, the Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the latest version of the CG Code, and maintain a high standard of corporate governance practices of the Company. The Company will report compliance of the latest version of the CG Code in the corporate governance report of the Company for the year ending December 31, 2022.

Compliance with the Model Code for Securities Transactions by Directors

The Class B Shares were only listed on the Stock Exchange on March 31, 2021, since which time the Model Code has been applicable to the Company.

The Company has adopted the Management Trading of Securities Policy (the “**Code**”), with terms no less exacting than the Model Code, as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Code during the Reporting Period and up to the Latest Practicable Date.



CORPORATE GOVERNANCE (CONTINUED)

Board committees

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and the risk management and internal control systems of the Group, review and approve connected transactions and provide advice and comments to the Board.

The Audit Committee comprises one non-executive Director, being Mr. Bai Linsen, and two independent non-executive Directors, being Mr. Zhou Hao and Professor Chen Zhiwu, with Mr. Zhou Hao (being our independent non-executive Director with the appropriate professional qualifications) as the chairperson of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2022 and has met the independent auditor of the Company, KPMG. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company.

Other Board Committees

In addition to the Audit Committee, the Company has also established the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee.

Corporate Governance Committee

The Company has established the Corporate Governance Committee in compliance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code.

The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the WVR structure of the Company.

The Corporate Governance Committee comprises of three independent non-executive Directors, namely Professor Chen Zhiwu, Professor Guo Yike and Mr. Zhou Hao. Professor Chen Zhiwu is the chairperson of the Corporate Governance Committee.



CORPORATE GOVERNANCE (CONTINUED)

The following is a summary of work performed by the Corporate Governance Committee during the six months ended June 30, 2022:

- Reviewed the policies and practices of the Company on corporate governance and on compliance with legal and regulatory requirements. The policies reviewed include Code for Securities Transactions by Directors and Relevant Employees, board diversity policy, shareholders' communication policy, procedures for nomination of director by shareholders, disclosure of information policy, connected transactions policy and whistle-blowing policy, dividend policy and other corporate governance policies.
- Reviewed the Company's compliance with the Corporate Governance Code and the deviation(s) from code provision C.2.1 of the Corporate Governance Code and the Company's disclosure for compliance with Chapter 8A of the Listing Rules.
- Reviewed the remuneration, the terms of engagement and the re-appointment of the Compliance Adviser.
- Reviewed and monitored the management of conflicts of interests between the Group/the Shareholders on one hand and the WVR Beneficiary on the other.
- Reviewed and monitored all risks related to the weighted voting rights structure, including connected transactions between the Group/the Shareholders on one hand and the WVR Beneficiary on the other.
- Reviewed the arrangements for the training and continuous professional development of Directors and senior management (in particular, Chapter 8A of the Listing Rules and knowledge in relation to risks relating to the weighted voting rights structure).
- Reviewed and confirmed that the WVR Beneficiary has been member of the Board throughout the six months ended June 30, 2022 and no matters under Rule 8A. 17 of the Listing Rules have occurred during the six months ended June 30, 2022, and he has complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the six months ended June 30, 2022.
- Sought to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.
- Reported on the work of the Corporate Governance Committee covering all areas of its terms of reference.



CORPORATE GOVERNANCE (CONTINUED)

The Corporate Governance Committee has confirmed to the Board it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the beneficiaries of weighted voting rights in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole indiscriminately. These measures include the Corporate Governance Committee (a) reviewing and monitoring each transaction contemplated to be entered into by the Group and making a recommendation to the Board prior to the transaction being entered into, of any potential conflict of interest between the Group and/or the Shareholders and any beneficiaries of the weighted voting rights, and (b) ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) their terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole, (iii) any directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iv) the Compliance Adviser is consulted on any matters related to the transactions involving the beneficiaries of weighted voting rights or a potential conflict of interest between the Group and these beneficiaries. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

The Corporate Governance Committee has reviewed the remuneration and terms of engagement of the Compliance Adviser, and confirmed to the Board that it is not aware of any factors that would require it to consider either the removal of the current Compliance Adviser or the appointment of a new compliance adviser. As a result, the Corporate Governance Committee recommended that the Board retain the services of the Compliance Adviser.



OTHER INFORMATION

Directors' and chief executives' interests and short positions in shares and underlying shares and debentures of the Company or any of its associated corporations

As of June 30, 2022, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is 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 entered in the register referred to therein, or which will be required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange are set out below:

Name	Nature of interest	Number of Shares	Approximate % of interest in each class of share ⁽¹⁾
Mr. Zhang ⁽²⁾	Founder of a trust	82,806,129 Class A Shares	100.00%
	Interest in a controlled corporation	15,000,000 Class B Shares	3.50%
	Founder of a trust	1,493,486 Class B Shares	0.35%
	Beneficial owner	1,746,000 Class B Shares	0.41%
Mr. Zhao Hongqiang ⁽³⁾	Beneficial owner	4,100,000 Class B Shares	0.96%
Ms. Zhao Jing ⁽⁴⁾	Beneficial owner	1,670,880 Class B Shares	0.39%
Mr. Bai Linsen	Interest in a controlled corporation	5,907,745 Class B Shares	1.38%

Notes:

- (1) The calculation is based on the total number of 82,806,129 Class A Shares and 428,555,728 Class B Shares in issue as at June 30, 2022.
- (2) This includes 82,806,129 Class A Shares held by Genisage Tech Inc., 15,000,000 Class B Shares held by GeniAI Tech Ltd, 1,493,486 Class B Shares held by Genisage Tech Inc. and 1,746,000 underlying shares. Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. Mr. Zhang is deemed to be interested in the Class B Shares held by GeniAI Tech Ltd.. Such underlying shares are the relevant shares that may be allotted and issued Class B Shares to him upon fully exercise of all the options granted to him under the 2021 ESOP.
- (3) This includes 800,000 Class B Shares and 3,300,000 underlying shares. Such underlying shares including (i) 2,000,000 options which are the relevant shares that may be allotted and issued Class B Shares to him upon fully exercise of all the options granted to him under the 2021 ESOP, and (ii) 1,300,000 award shares which are the relevant shares that may be allotted and issued Class B Shares to him upon fully exercise of all the right granted to him under the Share Award Scheme.
- (4) This includes 341,880 Class B Shares and 1,329,000 underlying shares. Such underlying shares including (i) 678,000 options which are the relevant shares that may be allotted and issued Class B Shares to her upon fully exercise of all the options granted to her under the 2021 ESOP, and (ii) 651,000 award shares which are the relevant shares that may be allotted and issued Class B Shares to her upon fully exercise of all the right granted to her under the Share Award Scheme.

OTHER INFORMATION (CONTINUED)

Substantial shareholders' interests and short positions in shares and underlying shares

As of June 30, 2022, the following persons (other than the Directors and chief executives whose interests have been disclosed in this interim report) had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company, pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Approximate % of interest in each class of share ⁽¹⁾
Class A Shares			
Genisage Tech Inc. ⁽²⁾	Beneficial owner	82,806,129 (L)	100.00%
Genisage Holdings Limited ⁽²⁾	Interest in controlled corporations	82,806,129 (L)	100.00%
TMF (Cayman) Ltd. ⁽²⁾	Trustee	82,806,129 (L)	100.00%
Mr. Zhang ⁽²⁾	Founder of a trust	82,806,129 (L)	100.00%
Class B Shares			
HH BR-I Holdings Limited ⁽³⁾	Beneficial owner	38,333,860 (L)	8.94%
Tianjin GLTC Enterprise Management Consultation, L.P. ⁽³⁾	Interest in controlled corporations	38,333,860 (L)	8.94%
Zuhai Gaoling Tiancheng Investment Management Co., Ltd. ⁽³⁾	Interest in controlled corporations	38,333,860 (L)	8.94%
CRF Summit Investment Limited ⁽⁴⁾	Interest in controlled corporations	28,170,780 (L)	6.57%
Tianjin Shenghuatianxi Enterprise Management Partnership L.P. ⁽⁴⁾	Interest in controlled corporations	28,170,780 (L)	6.57%
Xinjiang Guoxin Equity Investment Management Co., Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580 (L)	10.40%
China Reform Fund Management (Group) Co., Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580 (L)	10.40%
China Reform Fund Management Co., Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580 (L)	10.40%
China Reform Holdings Co., Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580 (L)	10.40%
Max Elegant Limited ⁽⁵⁾	Beneficial owner	30,937,545 (L)	7.22%
Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P. ⁽⁵⁾	Interest in controlled corporations	30,937,545 (L)	7.22%
Sequoia XinYuan Equity Investment Partnership (L.P.) ⁽⁵⁾	Interest in controlled corporations	30,937,545 (L)	7.22%



OTHER INFORMATION (CONTINUED)

Name	Capacity/Nature of interest	Number of Shares	Approximate % of interest in each class of share ⁽¹⁾
Hangzhou Sequoia Heyuan Equity Investment Partnership (L.P.) ⁽⁵⁾	Interest in controlled corporations	30,937,545 (L)	7.22%
Shanghai Zheyu Investment Partnership (L.P.) ⁽⁵⁾	Interest in controlled corporations	30,937,545 (L)	7.22%
Cederberg Capital (Cayman) ⁽⁶⁾	Interest in controlled corporations	25,568,500 (L)	5.97%
Cederberg Capital (Cayman) GP ⁽⁶⁾	Interest in controlled corporations	25,568,500 (L)	5.97%
Dawid Krige ⁽⁶⁾	Interest in controlled corporations	25,568,500 (L)	5.97%
Qianhai Golden Bridge IV LP ⁽⁷⁾	Beneficial owner	25,704,335 (L)	6.00%
Qianhai Golden Bridge Management Ltd. ⁽⁷⁾	Interest in controlled corporations	25,704,335 (L)	6.00%
Qianhai Golden Bridge Co., Ltd. ⁽⁷⁾	Interest in controlled corporations	25,704,335 (L)	6.00%
Mr. Wang Haipeng ⁽⁷⁾	Interest in controlled corporations	25,704,335 (L)	6.00%
深圳中金前海伯樂四號基金中心（有限合夥） ⁽⁷⁾	Interest in controlled corporations	25,704,335 (L)	6.00%
CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. ⁽⁷⁾	Interest in controlled corporations	25,704,335 (L)	6.00%
CICC Capital Operation Co., Ltd. ⁽⁷⁾	Interest in controlled corporations	25,704,335 (L)	6.00%
China International Capital Corporation Limited ⁽⁷⁾	Interest in controlled corporations	25,704,335 (L)	6.00%
Wu Capital Limited ⁽⁸⁾	Beneficial owner	24,314,910 (L)	5.67%
Zodiac Elements Limited ⁽⁸⁾	Interest in controlled corporations	24,314,910 (L)	5.67%
Aureate Kirin Limited ⁽⁸⁾	Interest in controlled corporations	24,314,910 (L)	5.67%
TMF (Cayman) Ltd. ⁽⁸⁾	Trustee	27,622,635 (L)	6.45%
Ms. Cai Xinyi ⁽⁸⁾	Founder of a trust	24,314,910 (L)	5.67%

Notes:

- (1) The calculation is based on the total number of 82,806,129 Class A Shares and 428,555,728 Class B Shares in issue as at June 30, 2022. The letter "L" stand for long position, while the letter "S" for short position.
- (2) Genisage Tech Inc. is wholly-owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is indirectly held through TMF (Cayman) Ltd., which is the trustee of a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. Therefore Mr. Zhang is deemed to hold interests in Genisage Tech Inc..
- (3) HH BR-I Holdings Limited is wholly-owned by Tianjin GLTC Enterprise Management Consultation, L.P. The general partner of Tianjin GLTC Enterprise Management Consultation, L.P. is Zhuhai Gaoling Tiancheng Investment Management Co., Ltd.



OTHER INFORMATION (CONTINUED)

- (4) CRF Summit Investment Limited is wholly-owned by Tianjin Shenghuatianxi Enterprise Management Partnership L.P. and Waterdrop Investment Limited is indirect wholly-owned by Tianjin Zhonghetianxi Enterprise Management Partnership L.P., with Xinjiang Guoxin Equity Investment Management Co., Ltd. being their sole management company. Xinjiang Guoxin Equity Investment Management Co., Ltd. is wholly-owned by China Reform Fund Management Co., Ltd., with China Reform Fund Management (Group) Co., Ltd. being its largest single shareholder. China Reform Fund Management (Group) Co., Ltd. is wholly-owned by China Reform Holdings Co., Ltd.
- (5) Max Elegant Limited is controlled by Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P., whose limited partner Sequoia XinYuan Equity Investment Partnership (L.P.) which is indirectly owned by Hangzhou Sequoia Heyuan Equity Investment Partnership (L.P.) as to 33.61% and indirectly wholly-owned by Shanghai Zheyou Investment Partnership (L.P.) as a general partner. Hangzhou Sequoia Heyuan Equity Investment Partnership (L.P.) is indirectly wholly-owned by Shanghai Zheyou Investment Partnership (L.P.) as a general partner.
- (6) Cederberg Capital (Cayman), which is owned by Dawid Krige as to 64%, through its direct controlled corporation to hold 25,568,500 Class B Shares. Cederberg Capital (Cayman) GP, which is indirect owned by Dawid Krige as to 64%, has indirect interests in Cederberg Capital (Cayman).
- (7) Qianhai Golden Bridge IV LP is a limited partnership established in the Cayman Islands controlled by Qianhai Golden Bridge Management Ltd, which is indirect wholly-owned by Qianhai Golden Bridge Co., Ltd.. Qianhai Golden Bridge Co., Ltd is indirect wholly-owned by CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd.. CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. is indirectly owned by CICC Capital Operation Co., Ltd. as to 55%, which is indirect wholly-owned by China International Capital Corporation Limited. Mr. Wang Haipeng is the limited partner of Qianhai Golden Bridge IV LP contributing more than one third of the capital to Qianhai Golden Bridge IV LP. Mr. Wang Haipeng holds the above interest on behalf of 深圳中金前海伯樂四號基金中心（有限合夥）.
- (8) Wu Capital Limited is wholly-owned by Zodiac Elements Limited, which is indirect wholly-owned by Aureate Kirin Limited. Aureate Kirin Limited is indirect wholly-owned by TMF (Cayman) Ltd., which is the trustee of a family trust set up by Ms. Cai Xinyi. Kai Hong Holdings Limited which is wholly-owned by TMF (Cayman) Ltd., holds 3,307,725 Class B Shares.

Share Schemes

1. 2019 ESOP

The following is a summary of the principal terms of the 2019 ESOP. The 2019 ESOP does not involve the grant of any share options after Listing and is not subject to Chapter 17 of the Listing Rules.

Purpose. The purpose of the 2019 ESOP is to promote the success and enhance the value of our Company by linking the personal interests of the participants to those of Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Shareholders. The 2019 ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the participants upon whose judgement, interest, and special effort the successful conduct of the Company's operation is largely dependent.

Eligible participant. Any person, including an officer, a director or a consultant of any member of a Group Entity (as defined therein), who is in the employment of or other contractual relationship with any member of the Group Entity. The Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award (the "**Participant**"). No individual shall have any right to be granted an award pursuant to the 2019 ESOP.



OTHER INFORMATION (CONTINUED)

Maximum number of Class B Shares. The maximum aggregate number of Class B Shares which may be issued pursuant to all awards under the 2019 ESOP shall be 49,817,780 Class B Shares. Class B Shares subject to any awards that terminate, expire or lapse for any reason shall again be available for the grant of an award pursuant to the 2019 ESOP. Class B Shares subject to any awards that are forfeited by the participant or repurchased by the Company may again be optioned, granted or awarded under the 2019 ESOP.

Duration. The 2019 ESOP shall become effective on the date of its adoption and shall expire on, and no award may be granted pursuant to the 2019 ESOP after the tenth anniversary of the effective date. Any awards that are outstanding on the tenth anniversary of the effective date shall remain in force according to the terms of the 2019 ESOP and the applicable memorialised in an agreement.

Outstanding options granted. As of June 30, 2022, the Company had conditionally granted options to 198 Participants under the 2019 ESOP. All the options under the 2019 ESOP were granted between May 20, 2016, and March 9, 2021, (both days inclusive) and our Company has not granted further options under the 2019 ESOP after the Listing.

Further details of the 2019 ESOP are set out in the Prospectus.

2. 2021 ESOP

The following is a summary of the principal terms of the 2021 ESOP conditionally adopted by our Shareholders' resolutions dated March 16, 2021, with effect from Listing. The terms of the 2021 ESOP will be subject to Chapter 17 of the Listing Rules.

Purpose. The purpose of the 2021 ESOP is to provide Eligible Persons (defined below) with the opportunity to acquire proprietary interests in our Company and to encourage the Eligible Person to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole. The 2021 ESOP will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

Eligible Persons. Any individual, being an employee or director of any member of the Group or any Affiliate (including nominees, and/or trustees of any employee benefit trust established for them), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any of our Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options ("Eligible Person(s)").



OTHER INFORMATION (CONTINUED)

Maximum number of Class B Shares. The total number of Class B Shares which may be issued upon exercise of all options to be granted under the 2021 ESOP and any other share option scheme of our Company is 41,098,971, being no more than 10% of the Shares in issue on the date the Class B Shares commence trading on the Stock Exchange. The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 ESOP and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time.

Maximum entitlement of a grantee. Unless approved by our Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the 2021 ESOP and any other share option scheme(s) of our Company to each Eligible Person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the “**Individual Limit**”). Any further grant of options to an Eligible Person which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders in general meeting (with such Eligible Persons and his associates abstaining from voting).

Subscription price. The price per Class B Share at which a grantee may subscribe for Class B Shares on the exercise of an option shall be such price determined by the Board in its absolute discretion and shall be no less than the higher of:

- (i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Class B Share on the date of grant.



OTHER INFORMATION (CONTINUED)

Grant offer letter and notification of grant of options. An offer shall be made to Eligible Persons by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 20 business days from the date on which the letter containing the offer is delivered to the Eligible Person.

Any offer may be accepted in respect of less than the number of Class B Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Class B Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that Eligible Person, it shall be deemed to have been irrevocably declined.

Time of exercise of an option. An option may, subject to the rules of the 2021 ESOP and the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as our Board may from time to time determine stating that the option is thereby exercised and the number of Class B Shares in respect of which it is exercised.

Duration. The 2021 ESOP shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted), but in all other respects the provisions of the 2021 ESOP shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the 2021 ESOP.

Outstanding options granted. As of June 30, 2022, our Company had granted 12,790,500 options to 83 grantees (including Directors and chief executive of our Company) under the 2021 ESOP. The total number of Class B Shares available for grant under the 2021 ESOP was 28,308,471 Class B shares, representing 5.51% of the total number of issued Shares at the Latest Practicable Date.

OTHER INFORMATION (CONTINUED)

Details of movements of options granted under the 2021 ESOP during the six months ended on June 30 2022 are as follows:

Name or category of grantees	Date of grant	Vesting period	Exercise price	Number of our shares underlying options outstanding as at January 1, 2022	Number of options granted during the six months ended June 30, 2022	Number of options exercised during the six months ended June 30, 2022	Number of options lapsed during the six months ended June 30, 2022	Number of options cancelled during six months ended June 30, 2022	Number of our shares underlying option outstanding as at June 30, 2022
Directors									
Mr. Zhang Shaofeng	December 29, 2021	4 years	HK\$9.602	1,746,000	—	—	—	—	1,746,000
Mr. Zhao Hongqiang	December 29, 2021	4 years	HK\$9.602	2,000,000	—	—	—	—	2,000,000
Ms. Zhao Jing	December 29, 2021	4 years	HK\$9.602	678,000	—	—	—	—	678,000
Employees									
Other 80 individuals	December 29, 2021	4 years	HK\$9.602	9,098,500	—	—	(732,000)	—	8,366,500

The closing price of Shares immediately before the date of which the options granted, i.e. December 28, 2021, was HK\$9.70.

The options granted shall be valid for a period of ten years from the date of grant. The options shall be vested in accordance with the timetable below:

Vesting Date	Percentage of options to vest
December 29, 2023	50% of the total number of options granted
December 29, 2024	25% of the total number of options granted
December 29, 2025	25% of the total number of options granted

Further details of the 2021 ESOP are set out in Note 23 to the Unaudited Interim Financial Report.

3. Share Award Scheme

The following is a summary of the principal terms of the Share Award Scheme. The Share Award Scheme does not involve the grant of any share options after Listing and is not subject to Chapter 17 of the Listing Rules.

Purpose. The purposes of the Share Award Scheme are: (a) to align the interests of Eligible Persons with those of the Group through ownership of Class B Shares, dividends and other distributions paid on Shares and/or the increase in value of the Class B Shares, and (b) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

Eligible participant. Any individual, being an employee or director (including executive Directors, non-executive Directors and independent non-executive Directors of any member of the Group or any Affiliate of the Group (including nominees and/or trustees of any employee benefit trust established for them), and any) officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group (“**Selected Participant**”) is eligible to receive an Award. The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a Selected Participant.

Maximum number of Class B Shares. The maximum aggregate number of Class B Shares which may be issued pursuant to all awards under the Share Award Scheme shall be 24,764,500 Class B Shares subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

Duration. The Share Award Scheme shall become effective on the date of its adoption and shall terminate on the earlier of: (1) the end of the period of ten years commencing on the Adoption Date, except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and (2) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the rules of the Share Award Scheme.

Outstanding awards granted. As of June 30, 2022, the Company had awarded a total of 14,392,500 award shares to 127 Selected Participants under the Share Award Scheme.

OTHER INFORMATION (CONTINUED)

Details of movements of award shares granted under the Share Award Scheme during the six months ended June 30, 2022 are as follows:

Name or category of grantees	Date of grant	Vesting Period	Held as at January 1, 2022	Number	Number	Number	Number	Held as at June 30, 2022
				of award shares granted during the six months ended June 30, 2022	of award shares exercised during the six months ended June 30, 2022	of award shares lapsed during the six months ended June 30, 2022	of award shares cancelled during the six months ended June 30, 2022	
Directors								
Mr. Zhao Hongqiang	December 29, 2021	1.5–4 years	1,300,000	—	—	—	—	1,300,000
Ms. Zhao Jing	December 29, 2021	1.5–4 years	651,000	—	—	—	—	651,000
Others								
10 other connected award grantees	December 29, 2021	1.5–4 years	2,417,500	—	—	—	—	2,417,500
112 unconnected award grantees	December 29, 2021	1.5–4 years	9,859,000	—	—	(368,500)	—	9,490,500
3 unconnected award grantees	January 4, 2022	1.5–4 years	—	533,500	—	—	—	533,500

Further details of the Share Award Scheme are set out in Note 23 to the Unaudited Interim Financial Report.



OTHER INFORMATION (CONTINUED)

Purchase, sale or redemption of the Company's listed securities

During the six months ended June 30, 2022, the Company repurchased a total of 4,761,500 Class B Shares (the "Shares Repurchased") on the Stock Exchange at an aggregate consideration of approximately HK\$47.27 million including expenses. Subsequently, the Company has repurchased a total of 1,436,500 Class B Shares on the Stock Exchange at an aggregate consideration of approximately HK\$13.22 million including expenses in July 2022. Particulars of the Shares Repurchased during the six months ended June 30, 2022 are as follows:

Month of repurchase	No. of Class	Highest price paid	Lowest price paid	Aggregate
	B Shares repurchased	per Class B Share	per Class B Share	consideration
		(HK\$)	(HK\$)	(HK\$)
June	4,761,500	10.02	9.00	47,269,600
Total	4,761,500			47,269,600

The number of Class B Shares in issue was reduced by 5,109,500 shares as a result of the cancellation accordingly. Upon cancellation of the Shares Repurchased, the WVR beneficiary of the Company simultaneously reduced their WVR in the Company proportionately by way of converting their Class A Shares into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of shares carrying WVR of the Company shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended June 30, 2022.

Disclosure of changes in Directors' information pursuant to Listing Rule 13.51B(1)

During the Reporting Period, the Company had the following changes in the Directors' information pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Zhao Hongqiang has been appointed as an independent non-executive director and the chairman of audit committee of GOGO HOLDINGS LIMITED (HKEX: 2246) with effect from June 24, 2022.

Save as disclosed herein, there were no other changes in the Directors' information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION (CONTINUED)

Interim dividend

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2022.

Use of proceeds from the Global Offering

On March 31, 2021, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering were approximately RMB3,170.39 million (the “**IPO Proceeds**”), after deducting of underwriting commissions and total expenses paid by the Company in connection with the Global Offering. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Since the Listing Date and up to June 30, 2022, the Group has gradually utilised the IPO Proceeds in accordance with the intended purposes stated in the Prospectus. The balance of the IPO Proceeds will continue to be utilised according to the manner and proportions as disclosed in the Prospectus. For details, please refer to the following table:

	Net amount available upon Listing (RMB million)	Actual net amount utilised at June 30, 2022 (RMB million)	Unutilised net amount at June 30, 2022 (RMB million)
Fund business expansion, expand FSP client base and penetrate into existing FSP client base	1,426.68	449.90	976.78
Enhancements in research and developments	951.12	158.55	792.57
Pursue strategic investments and acquisitions to expand existing products and services offerings, improve technology capabilities, and enhance value proposition to FSP clients	475.56	270.71	204.85
Working capital and general corporate purposes	317.03	—	317.03
Total	3,170.39	879.16	2,291.23

The Group will expect to fully utilise the unutilised net amount by end of 2024, and is based on the Company’ best estimation of the future market conditions and thus subject to change.



OTHER INFORMATION (CONTINUED)

Contractual Arrangements

Qualification requirements

We currently conduct our smart analytics and operation services, precision marketing services and insurance distribution services (the “**Relevant Businesses**”) through our Consolidated Affiliated Entities in the PRC as PRC Laws, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership in the Relevant Businesses. Currently, PRC Laws restrict foreign ownership of value-added telecommunication services providers (in addition imposing a qualification requirement on the foreign owners).

As a result of the restriction imposed by PRC Laws, we are unable to own or hold any direct equity interest in our Consolidated Affiliated Entities. Accordingly, the term ‘ownership’ or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC Laws.

Article 10 of the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises provides that a major foreign investor which invests in a value-added telecommunications business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunications businesses overseas (the “**Qualification Requirements**”). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

The MIIT issued a Guidance Memorandum on the Application Requirements for Establishing Foreign-invested Value-added Telecommunications Enterprises in the PRC (“**Guidance Memorandum**”). According to this Guidance Memorandum, a foreign investor applicant is required to provide, as proof of the satisfaction of the Qualification Requirements, a description of the value-added telecommunications services previously provided by itself or its direct shareholder, supported by, among other things, screenshots of licence and filings previously obtained and websites and apps previously operated, as well as previous telecommunication business licences issued by the relevant local authorities (unless where no licence is required in the relevant jurisdiction). The Guidance Memorandum, however, does not provide any further guidance on the proof, records or documents required to support the proof satisfying the Qualification Requirements.

Notwithstanding the above, we have adopted a specific plan and will continue to expend genuine efforts and financial resources towards meeting the Qualification Requirements. We will remain abreast of any regulatory developments and continuously assess whether we meet the Qualification Requirements, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC Laws.



OTHER INFORMATION (CONTINUED)

We are implementing a business plan with a view to building up a track record of overseas telecommunication business operations. We believe that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirements. The Company is in the process of expanding its overseas value-added telecommunications business through its offshore subsidiaries. In particular, we have taken the following concrete steps to ensure compliance with the Qualification Requirements:

- we have registered a number of global top-level domain names (including “brgroup.com”) outside of the PRC, and have constructed an English website that will help potential overseas users to better understand the Company’s services and businesses;
- we have registered a trademark outside of the PRC (namely “百融雲創”) and are in the process of registering a number of overseas trademarks for the promotion of the Company’s services and businesses overseas;
- we have established three subsidiaries in Hong Kong (namely Bairong HK Limited, Baoshu Tech Limited and Banyan HK Limited) for the purpose of registering and holding overseas intellectual properties, promoting the Company’s services and businesses, and entering into business contracts with offshore counterparties; and
- through our aforementioned offshore subsidiaries, we have been exploring business opportunities for the Relevant Businesses in overseas markets.

The officer from the MIIT also confirmed that the above steps are generally deemed helpful to prove that the Qualification Requirements have been fulfilled. Based on the above, and subject to the discretion of competent authority, our then PRC legal adviser was of the view that the above steps are generally regarded as relevant and reasonable factors to prove that the Qualification Requirements have been fulfilled.

Further details of the Contractual Arrangements, the risks relating to the Contractual Arrangements, the relevant PRC laws and regulations and the material terms of the Contractual Arrangements are set out in the Prospectus and the Company’s 2021 annual report published on April 19, 2022.

Material litigation

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the Latest Practicable Date.

Events after the Reporting Period

Save as disclosed in this interim report, there was no other significant events that might affect the Group after June 30, 2022 and up to the Latest Practicable Date.

REVIEW REPORT TO THE BOARD OF DIRECTORS

Review report to the Board of Directors of Bairong Inc.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 38 to 72 which comprises the consolidated statement of financial position of Bairong Inc. (the “Company”) and its subsidiaries (together the “Group”) as of June 30, 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

August 24, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2022 (unaudited)

Expressed in Renminbi ("RMB")

	Note	Six months ended June 30,	
		2022 RMB'000	2021 RMB'000
Revenue	4	945,181	791,473
Cost of sales		(267,600)	(214,200)
Gross profit		677,581	577,273
Other income/(loss), net	5	95,355	(32,243)
Research and development expenses		(159,946)	(114,070)
General and administrative expenses		(132,532)	(124,164)
Sales and marketing expenses		(388,436)	(237,752)
Impairment loss	6(c)	(9)	(206)
Profit from operations		92,013	68,838
Finance income	6(a)	3,773	3,261
Finance costs	6(a)	(6,270)	(4,576)
Changes in fair value of redeemable convertible preferred shares	21	—	(3,697,294)
Profit/(loss) before taxation	6	89,516	(3,629,771)
Income tax benefit/(expense)	7	3,854	(9,111)
Profit/(loss) for the period		93,370	(3,638,882)
Attributable to:			
Equity shareholders of the Company		98,925	(3,641,887)
Non-controlling interests		(5,555)	3,005
Profit/(loss) for the period		93,370	(3,638,882)
Earnings/(loss) per share			
Basic (RMB)	9(a)	0.21	(11.71)
Diluted (RMB)	9(b)	0.19	(11.71)

The notes on pages 45 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022 (unaudited)

Expressed in RMB

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Profit/(loss) for the period	93,370	(3,638,882)
Other comprehensive income for the period	—	—
Total comprehensive income for the period	93,370	(3,638,882)
Attributable to:		
Equity shareholders of the Company	98,925	(3,641,887)
Non-controlling interests	(5,555)	3,005
Total comprehensive income for the period	93,370	(3,638,882)

The notes on pages 45 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2022 (unaudited)

Expressed in RMB

	Note	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment		45,795	39,727
Intangible assets		58,260	62,925
Right-of-use assets	10	69,027	92,586
Goodwill	11	180,013	180,013
Financial assets at fair value through profit or loss	13	117,209	46,268
Interests in associates	12	9,788	9,863
Deferred tax assets		8,627	5,386
Time deposits		1,492,350	—
Restricted cash		5,843	5,722
		1,986,912	442,490
Current assets			
Prepaid expenses and other current assets	16	378,865	229,610
Financial assets at fair value through profit or loss	13	582,808	300,334
Financial assets at amortised cost	13	203,063	—
Derivative financial assets	14	—	20,727
Trade receivables	15	312,922	250,558
Restricted cash	14	16,370	82,884
Time deposits		201,342	200,000
Cash and cash equivalents		1,168,823	3,346,487
		2,864,193	4,430,600

The notes on pages 45 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At June 30, 2022 (unaudited)

Expressed in RMB

	Note	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Current liabilities			
Bank loans	17	25,000	51,000
Trade payables	18	105,730	94,624
Contract liabilities		46,585	48,347
Derivative financial liabilities	14	4,219	—
Lease liabilities	20	34,802	35,302
Accrued expenses and other current liabilities	19	356,823	406,216
		573,159	635,489
Net current assets			
		2,291,034	3,795,111
Total assets less current liabilities			
		4,277,946	4,237,601
Non-current liabilities			
Lease liabilities	20	52,344	71,862
Deferred tax liabilities		10,592	11,205
		62,936	83,067
NET ASSETS			
		4,215,010	4,154,534

The notes on pages 45 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At June 30, 2022 (unaudited)

Expressed in RMB

	Note	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Equity			
Share capital	22(a)	65	64
Treasury shares	22(a)	(74,765)	(60,739)
Reserves	22(b)	4,269,985	4,189,672
Total equity attributable to equity shareholders of the Company		4,195,285	4,128,997
Non-controlling interests		19,725	25,537
TOTAL EQUITY		4,215,010	4,154,534

Approved and authorized for issue by the Board of Directors on August 24, 2022.

Zhang Shaofeng

Director

Zhao Hongqiang

Director

The notes on pages 45 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022 (unaudited)

Expressed in RMB

Total equity attributable to equity shareholders of the Company																																			
<table border="1"> <thead> <tr> <th rowspan="2">Note</th> <th colspan="2">Ordinary shares</th> <th colspan="2">Treasury shares</th> <th colspan="2">Reserves</th> <th rowspan="2">Total</th> <th rowspan="2">Non-controlling interests</th> <th rowspan="2">Total Equity</th> </tr> <tr> <th>Shares</th> <th>Amount</th> <th>Shares</th> <th>Amount</th> <th>Other reserves</th> <th>Accumulated deficit</th> </tr> <tr> <th></th> <th></th> <th>RMB'000</th> <th></th> <th>RMB'000</th> <th>RMB'000</th> <th>RMB'000</th> <th>RMB'000</th> <th>RMB'000</th> <th>RMB'000</th> </tr> </thead> </table>										Note	Ordinary shares		Treasury shares		Reserves		Total	Non-controlling interests	Total Equity	Shares	Amount	Shares	Amount	Other reserves	Accumulated deficit			RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Note	Ordinary shares		Treasury shares		Reserves		Total	Non-controlling interests	Total Equity																										
	Shares	Amount	Shares	Amount	Other reserves	Accumulated deficit																													
		RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000																										
Balance as of December 31, 2021 and January 1, 2022																																			
	500,351,411	64	(29,687,081)	(60,739)	9,250,583	(5,060,911)	4,128,997	25,537	4,154,534																										
Net profit	–	–	–	–	–	98,925	98,925	(5,555)	93,370																										
Non-controlling interests from acquisition of subsidiaries	–	–	–	–	–	–	–	(257)	(257)																										
Exercise of share options	23	16,119,946	2	5,161,306	–	3,610	3,612	–	3,612																										
Share-based compensation	23	–	–	–	32,542	–	32,542	–	32,542																										
Cancellation of shares	22	(5,109,500)	(1)	5,109,500	54,765	(54,764)	–	–	–																										
Shares held for share award scheme	22	–	–	(3,638,000)	(28,386)	–	(28,386)	–	(28,386)																										
Repurchase of ordinary shares	22	–	–	(4,761,500)	(40,405)	–	(40,405)	–	(40,405)																										
Balance as of June 30, 2022	511,361,857	65	(27,815,775)	(74,765)	9,231,971	(4,961,986)	4,195,285	19,725	4,215,010																										
Balance as of December 31, 2020 and January 1, 2021																																			
	30,315,353	19	(3,000,000)	–	183,058	(1,457,895)	(1,274,818)	17,746	(1,257,072)																										
Net loss	–	–	–	–	–	(3,641,887)	(3,641,887)	3,005	(3,638,882)																										
Issuance of ordinary shares, net of share issuance costs	22	123,822,500	16	–	–	3,198,349	3,198,365	–	3,198,365																										
Conversion of redeemable convertible preferred shares to ordinary shares	21	219,890,065	29	–	–	5,909,896	5,909,925	–	5,909,925																										
Effect of Share Subdivision	22	121,261,412	–	(12,000,000)	–	–	–	–	–																										
Share-based compensation	23	–	–	–	11,123	–	11,123	–	11,123																										
Repurchase of ordinary shares	–	–	(2,559,000)	(45,181)	–	–	(45,181)	–	(45,181)																										
Balance as of June 30, 2021	495,289,330	64	(17,559,000)	(45,181)	9,302,426	(5,099,782)	4,157,527	20,751	4,178,278																										

The notes on pages 45 to 72 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022 (unaudited)

Expressed in RMB

	Note	Six months ended June 30,	
		2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations		(102,429)	94,265
Income tax paid		—	—
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(102,429)	94,265
Investing activities			
Purchase of property, plant and equipment		(15,094)	(8,982)
Increase of time deposits		(1,503,692)	—
Decrease of time deposits		10,124	—
Purchase of intangible assets		(263)	(136)
Purchase of investments		(1,585,678)	(3,953,790)
Proceeds from sale of investments		1,084,580	3,659,676
Payments to acquire a subsidiary, net of cash acquired		(29,992)	—
Decrease/(Increase) in restricted cash	14	66,777	(117,574)
NET CASH USED IN INVESTING ACTIVITIES		(1,973,238)	(420,806)
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares relating to the initial public offering, net of issuance cost		—	3,216,510
Listing expenses paid as financing activities		(9,255)	(24,367)
Repurchase of ordinary shares		(68,791)	(39,688)
Repayment of short-term bank loans		(36,000)	—
Proceeds from bank loans		10,000	—
Interest paid		(3,520)	—
Proceeds from exercise of share options		3,612	—
Payment of lease liabilities	20	(28,640)	(31,213)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(132,594)	3,121,242
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,208,261)	2,794,701
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,346,487	41,949
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		30,597	(55,286)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,168,823	2,781,364

The notes on pages 45 to 72 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 Principal Activities and Organisation

Bairong Inc. (the “Company”), was incorporated on June 21, 2018 in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island.

The Company is an investment holding company. The Company and its subsidiaries, Bairong Yunchuang Technology Co., Ltd. (“Beijing Bairong”) and Beijing Bairong’s subsidiaries (collectively referred to as the “Group”), operates a leading independent AI-powered technology platform in China serving the financial services industry and is principally engaged in smart analytics and operation services, precision marketing services and insurance distribution services (the “Business”). The Group’s operations and geographic markets are in the People’s Republic of China (the “PRC”).

The Company’s shares have been listed on the Main Board of the Stock Exchange since March 31, 2021 by way of its initial public offering.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was approved and authorized for issue by the Board of Directors on August 24, 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 37.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

3 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to the interim financial report for the current accounting period:

- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue

The principal activities of the Group are providing smart analytics and operation services, precision marketing services and insurance distribution services in the PRC.

The amount of each significant category of revenue is as follows:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Smart analytics and operation services	443,522	302,792
Precision marketing services	220,331	245,694
Insurance distribution services	281,328	242,987
	945,181	791,473

During the periods ended June 30, 2022 and 2021, no customer individually accounted for more than 10% of the Group's total revenue.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

4 Revenue (Continued)

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Point-in-time	501,659	488,681
Over-time	443,522	302,792
	945,181	791,473

Remaining Performance Obligation

The Group has elected the practical expedient not to disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less and do not disclose the value of remaining performance obligations for contracts in which the Group recognises revenue at the amount to which the Group has the right to invoice.

All of the Group's operating assets are located in the PRC and all of the Group's revenue and operating profits are derived from the PRC during the periods ended June 30, 2022 and 2021. Accordingly, no segment analysis based on geographical locations is provided.

5 Other income/(loss), net

	Note	Six months ended June 30,	
		2022 RMB'000	2021 RMB'000
Net gains on financial investments measured at fair value through profit or loss	(i)	20,029	15,720
Net gains on derivatives	(i)	7,332	339
Gains from fixed coupon note		3,072	289
Interest income from time deposits		24,511	—
Government grants and others		2,707	3,513
Extra deduction of input VAT		7,107	3,182
Foreign currency exchange gains/(loss), net	(i)	30,597	(55,286)
		95,355	(32,243)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

5 Other income/(loss), net (Continued)

Note:

- (i) To help investors better understand the Group's financial performance, "foreign currency exchange gains/(loss), net" is grouped into "other income/(loss), net" rather than in "finance income and costs". "Changes in fair value of derivatives" is grouped into "net gains on derivatives" and "changes in fair value of financial assets measured at fair value through profit or loss" is grouped into "net gains on financial investments measured at fair value through profit or loss" within "other income/(loss), net" rather than presented as separate financial statement line items. The comparative figures have been restated to conform with the new presentation.

6 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance income and costs

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Finance income		
Interest income from bank deposits	3,773	3,261
Total	3,773	3,261

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Finance costs		
Interest expense on bank loans	3,264	—
Interest expense on lease liabilities	3,006	4,576
Total	6,270	4,576

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

6 Profit/(loss) before taxation (Continued)

(b) Staff cost

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	277,725	180,025
Contributions to defined contribution retirement plan	23,134	15,706
Equity-settled share-based compensation expenses	32,542	11,123
Termination benefits	1,169	1,071
Subtotal	334,570	207,925

(c) Other items

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Data service costs	95,427	49,168
Distribution and marketing expenditures	184,107	135,140
Insurance brokerage commission costs	123,049	141,871
Depreciation of property, plant and equipment	9,810	9,126
Amortisation of intangible assets	4,878	487
Depreciation of right-of-use assets	29,174	30,267
Impairment loss		
— Trade receivables and others	9	186
— Loans	—	20
Listing expenses	—	29,216
Auditors' remuneration	1,400	1,962

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Current tax		
— PRC Enterprise Income Tax (“EIT”) provision for the period	—	(104)
Deferred tax		
— Origination/(reversal) of temporary differences	3,854	(9,007)
	3,854	(9,111)

(b) Reconciliation between tax benefit/(expense) and accounting profit/(loss) at applicable tax rates:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Profit/(loss) before taxation	89,516	(3,629,771)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable in the jurisdictions concerned	(22,379)	907,443
Tax effect of different tax rates and preferential tax rates	17,789	(7,438)
Super-deduction of research and development expense	13,907	5,925
Tax effect of non-deductible expenses	(9,231)	1,071
Fair value changes in redeemable convertible preferred shares not deductible for tax purpose	—	(924,323)
Tax effect of tax losses and temporary differences not recognised	3,768	8,211
Actual income tax benefit/(expense)	3,854	(9,111)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss (Continued)

(b) Reconciliation between tax benefit/(expense) and accounting profit/(loss) at applicable tax rates: (Continued)

Notes:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

PRC

Mainland

Except for Beijing Bairong, Bairong Zhixin (Beijing) Credit Information Co., Ltd. ("Bairong Zhixin") and Beijing All Union Technology Corp. ("All Union") who enjoy a preferential income tax rate, all the other subsidiaries established in the PRC are subject to an income tax rate of 25%, according to the PRC Enterprise Income Tax Law (the "EIT Law") in the periods ended June 30, 2022 and 2021.

A "high and new technology enterprise" ("HNTE") is entitled to a favorable statutory tax rate of 15% and such qualification is reassessed by relevant governmental authorities every three years. In December 2016, Beijing Bairong was qualified as a "high and new technology enterprise" and therefore enjoyed the preferential statutory tax rate of 15% for the period ended November 30, 2019. In December 2019, Beijing Bairong received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% from December 2, 2019 to December 2, 2022. In December 2020, Bairong Zhixin was qualified as a "high and new technology enterprise" ("HNTE"), which entitled it to the preferential income tax rate of 15% from December 2, 2020 to December 2, 2023. In December 2020, All Union was qualified as an HNTE, which entitled to the preferential income tax rate of 15% from December 2, 2020 to December 2, 2023.

Hong Kong

The Company's Hong Kong subsidiaries, incorporated in July 2018, are subject to a profits tax rate of 8.25% for the first HK\$2,000,000 of assessable profit and 16.5% for profit exceeding HK\$2,000,000. 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 for the periods ended June 30, 2022 and 2021.

8 Dividends

During the periods ended June 30, 2022 and 2021, no dividends were declared by the entities comprising the Group to its owners.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

9 Basic and diluted earnings/(loss) per share

On March 16, 2021, pursuant to the shareholders' resolution, each existing issued and unissued share of US\$0.0001 each in the share capital of the Company were subdivided into 5 shares of US\$0.00002 each ("Share Subdivision"). Following the Share Subdivision, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months periods ended June 30, 2021 has been retrospectively adjusted.

Basic earnings/(loss) per share were calculated by dividing the net profit/(loss) attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the periods ended June 30, 2022 and 2021.

The following table sets forth the basic earnings/(loss) per share computation and the numerator and denominator for the periods presented:

	Six months ended June 30,	
	2022	2021
Net profit/(loss) attributable to equity shareholders of the Company (RMB'000)	98,925	(3,641,887)
Weighted average number of ordinary shares	478,072,531	311,049,776
Basic earnings/(loss) per share attributable to equity shareholders of the Company (in RMB per share)	0.21	(11.71)

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the periods ended June 30, 2022 and June 30, 2021, the Company has share options and share award schemes as potential ordinary shares. As the Group incurred losses for the period ended June 30, 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would result in anti-dilution. Accordingly, diluted loss per share for the period ended June 30, 2021 was the same as basic loss per share of the respective periods.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

9 Basic and diluted earnings/(loss) per share (Continued)

	Six months ended June 30,	
	2022	2021
Net profit/(loss) attributable to equity shareholders of the Company (RMB'000)	98,925	(3,641,887)
Weighted average number of ordinary shares	478,072,531	311,049,776
Adjustments for share options and share award schemes	36,706,275	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	514,778,806	311,049,776
Diluted earnings/(loss) attributable to equity shareholders of the Company (in RMB per share)	0.19	(11.71)

10 Right-of-use assets

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Cost:		
At January 1	214,893	218,082
Inception of leases	5,615	19,638
Expiration of leases	(13,933)	(21,732)
At June 30	206,575	215,988
Accumulated depreciation:		
At January 1	(122,307)	(88,715)
Charge for period	(29,174)	(30,267)
Expiration of leases	13,933	21,732
At June 30	(137,548)	(97,250)
Net book value:		
At June 30	69,027	118,738

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

11 Goodwill

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Balance as of January 1	180,013	34,054
Acquired during the period	—	—
Balance as of June 30	180,013	34,054
	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Liming	34,054	34,054
All Union	145,959	145,959
Total	180,013	180,013

The Group normally performs goodwill impairment test annually, and there is no indicator for impairment of goodwill as of June 30, 2022. For details of goodwill impairment assessment for the year ended December 31, 2021, please refer to the 2021 annual financial statements.

12 Interests in associates

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Unlisted entities	9,788	9,863

The Group has interests in a number of immaterial associates that are invested through All Union and are accounted for using the equity method.

There were no material contingent liabilities relating to the Group's interests in the associates.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

12 Interests in associates (Continued)

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
At the beginning of the period	9,863	—
Additions	—	—
The Group's share of profit	(75)	—
At the end of the period	9,788	—

13 Investments

	Note	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Non-current			
Financial assets measured at fair value through profit or loss			
— Unlisted equity investments	(i)	117,209	46,268
Current			
Financial assets measured at fair value through profit or loss			
— Wealth management products	(ii)	284,681	300,334
— Fund investments	(iii)	298,127	—
Financial assets at amortised cost			
— Fixed coupon note	(iv)	203,063	—

Notes:

- (i) The Group's investments in unlisted equity securities included in financial assets measured at fair value through profit or loss represent the investments in certain privately owned companies.
- (ii) Wealth management products were issued by commercial banks in the PRC.
- (iii) Fund investments were administered by licensed financial institutions in Hong Kong.
- (iv) The financial assets at amortised cost as at June 30, 2022 was fixed coupon note denominated in RMB.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

14 Derivatives

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Derivative financial assets	—	20,727
Derivative financial liabilities	(4,219)	—

The Group entered into several foreign exchange forwards and options to manage the Group's foreign exchange exposure in relation to USD against RMB. These derivatives are not designated for hedge accounting and are measured at fair value through profit or loss. To secure such contracts, the Group deposited an amount of US\$2.40 million (RMB16.11million) and recognised it in restricted cash as of June 30,2022.

15 Trade receivables

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Trade receivables	315,788	253,415
Less: loss allowance	(2,866)	(2,857)
Trade receivables, net	312,922	250,558

Ageing analysis

As of June 30, 2022 and December 31, 2021, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Within 3 months (inclusive)	220,955	197,548
3 months to 6 months (inclusive)	55,290	29,715
6 months to 1 year (inclusive)	33,251	21,733
Over 1 year	6,292	4,419
Less: loss allowance	(2,866)	(2,857)
Trade receivables, net	312,922	250,558

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

16 Prepaid expenses and other current assets

	Note	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Prepayments to digital goods providers	(i)	223,699	135,732
Advances to suppliers		47,613	38,049
Deposits		27,434	25,833
Prepaid expenses		18,643	7,419
Others		61,476	22,577
Total		378,865	229,610

Note:

- (i) Prepayments to digital goods providers mainly represent prepayments and deposits to online platform operators and digital goods providers under the smart analytics and operation services.

17 Bank loans

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Short-term bank loans, unsecured	20,000	18,000
Short-term bank loans, secured	5,000	33,000
	25,000	51,000

As at June 30, 2022, all of the Group's bank loans are repayable within 1 year and denominated in RMB, and bear average interest rate of 4.72% per annum (2021: 5.66%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

18 Trade payables

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Amounts due to third parties	105,730	94,624

As of June 30, 2022 and December 31, 2021, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Within 6 months	98,019	88,365
6 months to 1 year	7,042	5,778
1 year to 2 years	669	481
	105,730	94,624

Trade payables are primarily expected to be settled within one year or are repayable on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

19 Accrued expenses and other current liabilities

	Note	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Receipts in advance	(i)	53,431	112,780
Accrued payroll and welfare		104,381	111,945
Accrued expenses		36,898	43,034
Value Added Tax and surcharges payable		47,224	56,659
Deposit received		2,040	2,090
Others		112,849	79,708
Total		356,823	406,216

All of the accrued expenses and other current liabilities are expected to be settled and expensed within one year or are repayable on demand.

Note:

- (i) Receipts in advance mainly represent advances from customers for purchasing digital goods under the smart analytics and operation services.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

20 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Maturity analysis-contractual undiscounted cash flows		
Within 1 year or on demand	46,328	52,217
More than 1 year but less than 2 years	36,543	39,193
More than 2 years	17,058	19,821
Total undiscounted lease liabilities	99,929	111,231
Less: total future interest expenses	(12,783)	(4,067)
Present value of lease liabilities	87,146	107,164
Lease liabilities included in the consolidated statement of financial position		
Current	34,802	35,302
Non-current	52,344	71,862
Present value of lease liabilities	87,146	107,164
	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Amounts recognised in profit or loss		
Interest on lease liabilities	3,006	4,576
Amounts recognised in the consolidated cash flow statements		
Total cash flow for leases	28,640	31,213

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

21 Redeemable convertible preferred shares

On March 31, 2021, the Company was successfully listed in the Main Board of the Stock Exchange and made an offering of 123,822,500 ordinary shares at a price of HK\$31.80 per share. All redeemable convertible preferred shares were converted into ordinary shares upon completion of the IPO on March 31, 2021.

Fair value changes of redeemable convertible preferred shares were recorded in “changes in fair value of redeemable convertible preferred shares”, and the loss in fair value changes for the period ended June 30, 2021 resulted from the significant increase in the valuation of the Company, which was determined by the offering price of the Company’s shares in the Global Offering on March 31, 2021.

22 Capital and reserves

(a) Share capital

The Company was incorporated in the Cayman Islands in June 2018 with an authorised share capital of US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each. Upon incorporation, the Company issued 18,776,522 ordinary shares to the co-founders with a consideration of RMB13,000.

Pursuant to share subscription agreements with the investors on June 27, 2019, the Company issued 22,237,437 ordinary shares to third party investors. In addition, the Company approved surrender of 735,050 ordinary shares by one of the co-founders.

On August 26, 2019, the Company repurchased 9,963,556 shares with a par value of US\$0.0001 each from GeniAI Tech Ltd. for nil consideration and then promptly cancelled such shares.

On March 16, 2021, pursuant to the shareholders’ resolution, each existing issued and unissued share of US\$0.0001 each in the share capital of the Company were subdivided into 5 shares of US\$0.00002 each.

Upon completion of the IPO, the Company issued 123,822,500 new ordinary shares at par value of US\$0.00002 each for cash consideration of HK\$31.80 each, and raised gross proceeds of approximately HK\$3,937,555,500. The respective share capital amount was approximately RMB16,000 and share premium arising from the issuance was approximately RMB3,198,349,000, net of the share issuance costs.

Upon completion of the IPO, all the redeemable convertible preferred shares were redesignated and reclassified as ordinary shares on a five for one basis. As a result, the redeemable convertible preferred shares were derecognized and recorded as share capital and capital reserve.

As at September 29, 2021, the Company issued a total of 8,847,081 ordinary shares on the Stock Exchange to Rongtuo Holdings Limited for the settlement of 2019 ESOP share options. As at December 30, 2021 and December 31, 2021, GeniAI Tech II Ltd purchased a total of 730,500 ordinary shares of the Company on the Stock Exchange for the settlement of 2019 ESOP share options.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

22 Capital and reserves (Continued)

(a) Share capital (Continued)

During the period ended June 30, 2022, GeniAI Tech II Ltd and GeniAI Tech III Ltd purchased a total of 3,638,000 ordinary shares of the Company on the Stock Exchange for the settlement of 2019 ESOP share options.

As Rongtuo Holdings Limited, GeniAI Tech II Ltd and GeniAI Tech III are consolidated entities of the Group, these shares were therefore recorded as “treasury shares” as at June 30, 2022 and December 31, 2021.

During the year ended December 31, 2021, the Company repurchased a total of 8,894,500 ordinary shares that had been listed on the Stock Exchange. The total amount to repurchase these ordinary shares was approximately equivalent to RMB118,272,000. As at December 31, 2021, a total of 3,785,000 repurchased ordinary shares have been cancelled. The remaining repurchased shares were recorded as “treasury shares” as at December 31, 2021 at the amount of RMB60,739,000.

During the period ended June 30, 2022, all the ordinary shares repurchased during the year 2021 were cancelled and deducted from the share capital and share premium within shareholders’ equity. The share capital amount of these cancelled shares was approximately RMB1,000 and the corresponding share premium was approximately RMB54,764,000. The Company further repurchased a total of 4,761,500 ordinary shares that had been listed on the Stock Exchange. The total amount to repurchase these ordinary shares was approximately equivalent to RMB40,405,000. The repurchased shares were recorded as “treasury shares” as at June 30, 2022.

During the period ended June 30, 2022, the Company issued a total of 16,119,946 ordinary shares on the Stock Exchange to employees for the exercise of 2019 ESOP share options. In addition, 5,161,306 shares were transferred from Rongtuo Holdings Limited to employees for the exercise of 2019 ESOP share options.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

22 Capital and reserves (Continued)

(b) Reserves

	Note	Share premium RMB'000	Share-based compensation reserve RMB'000	Others RMB'000	Total RMB'000
Balance at December 31, 2020 and January 1, 2021		—	146,711	36,347	183,058
Share-based compensation expenses	(i)	—	11,123	—	11,123
Issuance of new shares	(ii)	3,198,349	—	—	3,198,349
Conversion of preferred shares	(iii)	5,909,896	—	—	5,909,896
Balance at June 30, 2021		9,108,245	157,834	36,347	9,302,426
Share-based compensation expenses	(i)	—	11,664	—	11,664
Cancellation of shares		(63,507)	—	—	(63,507)
Balance at December 31, 2021 and January 1, 2022		9,044,738	169,498	36,347	9,250,583
Exercise of share options		3,610	—	—	3,610
Share-based compensation expenses	(i)	—	32,542	—	32,542
Cancellation of shares		(54,764)	—	—	(54,764)
Balance at June 30, 2022		8,993,584	202,040	36,347	9,231,971

Notes:

- (i) Share-based compensation reserve arises from share-based payments granted to employees of the Company, see Note 23 for detail.
- (ii) Issuance of new ordinary shares arises from net proceeds from the IPO, see Note 22 for detail.
- (iii) Conversion of preferred shares arises from the conversion of redeemable convertible preferred shares, see Note 21 for detail.

(c) Dividends

During the periods ended June 30, 2022 and 2021, no dividends were declared by the entities comprising the Group to its owners.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

23 Share-based compensation

2019 ESOP

As part of the Group's re-organization prior to its IPO, the Group adopted a share incentive plan (the "2019 ESOP") in August 2019. Under the 2019 ESOP, the Group was entitled to grant the total 12,963,556 share options to its employees, officers, directors and individuals.

Share options granted to an employee under the 2019 ESOP will be exercisable upon the employee renders service to the Group in accordance with a stipulated service schedule starting from the employee's date of employment. Employees are generally subject to a four-year service schedule commencing from the employees' date of employment, under which an employee is entitled to vest in 50% of his option grants for the first two years of completed service and entitled to vest in 25% of his option grants annually thereafter of completed service.

Upon the Share Subdivision becoming effective, pro-rata adjustments have been made to the number of outstanding awarded shares, so as to give the participants the same proportion of the equity capital that were before the offer of the Share Subdivision to which they were entitled to. The exercise price of all the options granted under the 2019 ESOP is RMB1.0 which was adjusted to RMB0.2 per share after the subdivision on March 16, 2021.

The Group granted nil and nil share options to employees, all with an exercise price of RMB1, for the six months ended June 30, 2022 and 2021, respectively. The following table sets forth the share option shares activities under the 2019 Plan for the six months ended June 30, 2022 and 2021. The Group will not grant further options under the 2019 Plan after the initial public offering.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

23 Share-based compensation (Continued)
2019 ESOP (Continued)

	Note	Options outstanding	Weighted average exercise price RMB
Outstanding at January 1, 2022		45,359,985	0.2
Granted		—	0.2
Exercised		(21,281,252)	0.2
Forfeited		(553,441)	0.2
Outstanding at June 30, 2022		23,525,292	0.2
Outstanding at January 1, 2021	(i)	9,280,247	1
Granted	(i)	—	1
Exercised	(i)	—	1
Forfeited	(i)	(332,000)	0.2-1
Effect of Share Subdivision	(ii)	36,692,988	0.2
Outstanding at June 30, 2021		45,641,235	0.2

Notes:

(i) The numbers of shares were presented as before the effect of the Share Subdivision.

(ii) It represented the effects of adjustments made to the numbers of shares as a result of the Share Subdivision.

The weighted-average remaining contract life for outstanding share options was 5.18 years and 5.74 years as of June 30, 2022 and December 31, 2021 respectively.

Options granted to employees were measured at fair value on the dates of grant based on the Binomial Option Pricing Model with the following assumptions:

	2020
Expected volatility	33%–36%
Risk-free interest rate	2.85%–3.28%
Exercise multiple	2
Expected dividend yield	—
Expected term (in years)	10
Fair value of the underlying shares on the date of option grants (per share)	RMB27.00–27.13

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

23 Share-based compensation (Continued)

2021 ESOP

The Group adopted the post-IPO share option scheme (the “2021 ESOP”) on March 16, 2021 with effect from the initial public offering. Under the 2021 ESOP, the Group was entitled to grant the total 41,098,971 share options to its employees, officers, directors and individuals.

Share options granted to an employee under the 2021 ESOP will be exercisable when the employee renders service to the Group in accordance with a stipulated service schedule which starts from the relevant performance period. Employees are generally subject to a four-year service schedule, under which an employee is entitled to vest in 50% of his option grants for the first two years of completed service and entitled to vest in 25% of his option grants annually thereafter of completed service.

Movements in the number of share options granted to employees and their related weighted average exercise prices are as follow:

	Options outstanding	Weighted average exercise price RMB
Outstanding at January 1, 2022	13,522,500	7.75
Granted	—	—
Exercised	—	—
Forfeited	(732,000)	7.75
Outstanding at June 30, 2022	12,790,500	7.75
Outstanding at January 1, 2021	—	Not applicable
Granted	—	Not applicable
Exercised	—	Not applicable
Forfeited	—	Not applicable
Outstanding at June 30, 2021	—	Not applicable

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

23 Share-based compensation (Continued)

2021 ESOP (Continued)

The weighted-average remaining contract life for outstanding share options was 9.5 years and 10.00 years as of June 30, 2022 and December 31, 2021 respectively.

Options granted to employees were measured at fair value on the dates of grant based on the Binomial Option Pricing Model with the following assumptions:

	2021
Expected volatility	33.00%
Risk-free interest rate	1.58%
Exercise multiple	2–2.8
Expected dividend yield	—
Expected term (in years)	10
Fair value of the underlying shares on the date of option grants (per share)	RMB7.75

Share Award Scheme

The Group adopted a share award scheme (the “Share Award Scheme”) on May 28, 2021. Under the Share Award Scheme, the Group granted 14,257,500 of restricted share units (the “RSUs”) to its employees, consultants, and directors during the year 2021. The RSUs awarded vest in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

23 Share-based compensation (Continued)

Share Award Scheme (Continued)

The fair value of each RSU at the grant date were determined by reference to the fair value of the ordinary shares of the Group that issued to its shareholders. Movements in the number of RSUs and the respective weighted average grant date fair value are as below:

	Number of RSUs	Weighted average grant date fair value per RSU RMB
Outstanding at January 1, 2022	14,227,500	7.75
Granted	533,500	8.52
Exercised	—	—
Forfeited	(368,500)	7.75
Outstanding at June 30, 2022	14,392,500	7.75-8.52
Outstanding at January 1, 2021	—	Not applicable
Granted	—	Not applicable
Exercised	—	Not applicable
Forfeited	—	Not applicable
Outstanding at June 30, 2021	—	Not applicable

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

24 Fair value measurement of financial instruments

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Note	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Level 2			
Assets			
— Derivative financial assets		—	20,727
— Funds		197,146	—
		197,146	20,727
Liabilities			
— Derivative financial liabilities		(4,219)	—
Level 3			
Assets			
— Wealth management products	(i)	284,681	300,334
— Funds	(i)	100,981	—
— Unlisted equity securities	(ii)	117,209	46,268
		502,871	346,602

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

24 Fair value measurement of financial instruments (Continued)

Fair value hierarchy (Continued)

During the year/period, there were no transfers between Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurement:

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in Level 2.

Valuation techniques and inputs used in Level 3 fair value measurement:

- (i) Funds and wealth management products

The carrying amount of funds and wealth management products are measured at fair values in the consolidated statements of financial position as of June 30, 2022 and December 31, 2021. The Group determines the fair value of wealth management products by using discounted cash flow models. The unobservable inputs are expected annual return rate fixed in the investment contracts. These expected annual return rates ranged from 2.38% to 5.8% and 1.05% to 3.90% as of December 31, 2021 and June 30, 2022, respectively.

As of June 30, 2022 and December 31, 2021, it is estimated that with all other variables held constant, an increase/decrease of expected annual return rate by 1% would have increased/decreased the Group's profit/(loss) before taxation by RMB3.86 million and RMB3.00 million, respectively.

The movements of funds and wealth management products during the periods in the balance of these Level 3 fair value measurements are as follows:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
At the beginning of the period	300,334	806,101
Addition	1,126,127	3,307,780
Disposal	(1,047,499)	(3,659,676)
Change in fair value	6,700	15,720
At the end of the period	385,662	469,925

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)
(Expressed in RMB unless otherwise indicated)

24 Fair value measurement of financial instruments (Continued)

Valuation techniques and inputs used in Level 3 fair value measurement (Continued):

(ii) Equity securities

The carrying amount of equity securities are measured at fair value in the consolidated statements of financial position as of June 30, 2022 and December 31, 2021. The Group's equity securities are investments in unlisted companies. The Group determines the fair value by reference to the recent transaction pricing for the entities or similar transactions in similar entities in same industry.

As of June 30, 2022 and December 31, 2021, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decreased/increased the Group's loss before tax by RMB1.16 million and RMB0.46 million respectively.

The movements of unlisted equity securities during the periods in the balance of these Level 3 fair value measurements are as follows:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
At the beginning of the period	46,268	3,542
Addition	68,520	—
Change in fair value	2,421	—
At the end of the period	117,209	3,542
Net unrealised gains for the period	2,421	—

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in RMB unless otherwise indicated)

25 Material related party transactions

Key management personnel remuneration

Remuneration for key management personnel of the Group during the periods is as follows:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,924	1,368
Discretionary bonuses	—	—
Retirement scheme contributions	47	44
Share-based payments	5,101	591
Key management personnel remuneration	8,072	2,003

26 Contingencies

The Group did not have any material contingent liabilities as of June 30, 2022.

27 Events after the Reporting Period

There were no material subsequent events during the period from June 30, 2022 to the approval date of the Interim Financial Report by the Board on August 24, 2022.

28 Comparative amounts

Reclassifications have been made on some of the comparative amounts to ensure the comparability.



DEFINITIONS

“2019 ESOP”	the share incentive plan approved and adopted in August 2019, the principal terms of which are set out in “Statutory and general information-Share Schemes” in Appendix V in the Prospectus
“2021 ESOP”	the post-IPO share option scheme conditionally approved and adopted by our Company on March 16, 2021, the principal terms of which are set out in “Statutory and general information-Share Schemes” in Appendix V in the Prospectus
“AI”	artificial intelligence
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Company
“Beijing Bairong”, “Onshore Holdco” or “variable interest entity”	Bairong Yunchuang Technology Co., Ltd. (百融雲創科技股份有限公司), a company established in China with limited liability on March 19, 2014, and a Consolidated Affiliated Entity of our Company
“Board”	the Board of Directors
“China” or “PRC”	the People’s Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Class A Share(s)”	class A ordinary share(s) in the share capital of our Company with a par value of US\$0.00002 each, conferring weighted voting rights in our Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Share(s)”	class B ordinary share(s) in the share capital of our Company with a par value of US\$0.00002 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Bairong Inc., a company with limited liability incorporated in the Cayman Islands on June 21, 2018
“Compliance Adviser”	CMBC International Capital Limited
“Consolidated Affiliated Entity(ies)”	Onshore Holdco and its subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements



DEFINITIONS (CONTINUED)

“Contractual Arrangement(s)”	the series of contractual arrangements entered into between, among others, the WFOE, the Onshore Holdco and the then Registered Shareholders, as detailed in “Contractual Arrangements” in the Prospectus and as amended, restated, renewed, reproduced or joined from time to time
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhang and the direct and indirect companies through which Mr. Zhang has an interest in the Company, namely Genisage Tech Inc., Genisage Holdings Limited, GeniAI Tech Ltd. and RongXing Trust
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Company
“Director(s)”	the director(s) of our Company
“FSP”	financial services provider
“FSP clients”	FSPs to which we provide our products and services, including paying FSPs whom we charge fees and non-paying FSPs who use our basic services free of charge as part of our promotional efforts
“Global Offering”	the public offering of the Company’s Class B Shares as defined and described in the Prospectus
“Group”, “we” or “us”	the Company, its subsidiaries, and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICP licence”	the value-added telecommunications business operating licence for internet information service
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Key FSP clients”	licenced financial institutions that each contributes more than RMB300,000 total revenue in a given year
“Key FSP client retention rate”	the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months



DEFINITIONS (CONTINUED)

“Latest Practicable Date”	August 24, 2022
“Liming”	Liming Insurance Brokers Co., Ltd. (黎明保險經紀有限公司), a company established in China with limited liability on April 21, 2014, and a Consolidated Affiliated Entity of our Company
“Listing”	the listing of the Class B Shares on the Main Board
“Listing Date”	March 31, 2021, the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Zhang” or “WVR Beneficiary”	Mr. Zhang Shaofeng, our founder, executive Director, chairperson, chief executive officer and Controlling Shareholder, as well as the holder of the Class A Shares entitling him to weighted voting rights
“net dollar expansion rate”	a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage
“Nomination Committee”	the nomination committee of the Company
“paid subscription”	In the context of our business, paid subscription by an FSP client in the context of our business means (i) a subscription based on usage, without an initial or recurring fee or (ii) an annual subscription that offers a standardised package with a pre-determined number or unlimited number of requests such FSP client may use during the term of the related service agreement
“paying FSP clients”	FSP clients that had a paid subscription of our products and services and contributed to our revenue since our founding
“Prospectus”	the prospectus of the Company dated March 19, 2021
“Registered Shareholders”	the registered shareholders of the Onshore Holdco from time to time



DEFINITIONS (CONTINUED)

“Relevant Employees”	Any employee or a director or employee of a subsidiary or holding company who, because of such office of employment, is likely to possess inside information in relation to the issuer or its securities
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six-month period from January 1, 2022 to June 30, 2022
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles of Association, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of the Company’s auditors; and (iv) the voluntary liquidation or winding-up of the Company
“RMB”	Renminbi yuan, the lawful currency of China
“SaaS”	software as a service
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the Class A Shares and Class B Shares in the share capital of our Company
“Share Award Scheme”	the share award scheme adopted by the Board on May 28, 2021 as amended from time to time
“Share Schemes”	the 2019 ESOP, the 2021 ESOP and the Share Award Scheme
“Shares Repurchased”	a total of 4,761,500 Class B Shares repurchased by the Company during the six months ended June 30, 2022
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“weighted voting rights” or “WVR”	has the meaning ascribed to it under the Listing Rules
“WFOE”	Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司), a company established in China on August 14, 2018, and a wholly owned subsidiary of our Company
“%”	per cent

