

Interim Report 2022



Linklogis Inc.
聯易融科技集團

(A company controlled through weighted voting rights and
incorporated in the Cayman Islands with limited liability)
Stock Code : 9959

CONTENTS

2	CORPORATE INFORMATION
4	KEY HIGHLIGHTS
7	CHAIRMAN'S STATEMENT
16	MANAGEMENT DISCUSSION AND ANALYSIS
27	CORPORATE GOVERNANCE
30	OTHER INFORMATION
40	INDEPENDENT REVIEW REPORT
41	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
43	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
45	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
46	CONSOLIDATED CASH FLOW STATEMENT
47	NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
85	DEFINITIONS

CORPORATE INFORMATION

Executive Directors

Mr. Song Qun (宋群) (*Chairman of the Board and Chief Executive Officer*)

Mr. Ji Kun (冀坤)

Ms. Chau Ka King (周家瓊)

Non-executive Directors

Mr. Lin Haifeng (林海峰)

Mr. Zhang Yuhan (張予焯)

Independent non-executive Directors

Mr. Gao Feng (高峰)

Mr. Tan Huay Lim (陳懷林)

Mr. Chen Wei (陳璋)

Audit committee

Mr. Tan Huay Lim (陳懷林) (*Chairman*)

Mr. Gao Feng (高峰)

Mr. Chen Wei (陳璋)

Remuneration committee

Mr. Gao Feng (高峰) (*Chairman*)

Mr. Song Qun (宋群)

Mr. Chen Wei (陳璋)

Nomination committee

Mr. Gao Feng (高峰) (*Chairman*)

Mr. Song Qun (宋群)

Mr. Chen Wei (陳璋)

Corporate governance committee

Mr. Gao Feng (高峰) (*Chairman*)

Mr. Tan Huay Lim (陳懷林)

Mr. Chen Wei (陳璋)

Joint company secretaries

Ms. Wang Yihan (王一涵)

Ms. Zhang Xiao (張瀟)

Authorized representatives

Mr. Song Qun (宋群)

Ms. Zhang Xiao (張瀟)

Headquarters and principal place of business in the PRC

Floor 36, CES Building

No. 3099 Keyuan South Road

Nanshan District Shenzhen, Guangdong, 518063

PRC

Principal place of business in Hong Kong

40/F, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong.

Registered office

ICS Corporate Services (Cayman) Limited

3-212 Governors Square

23 Lime Tree Bay Avenue

P. O. Box 30746, Seven Mile Beach

Grand Cayman KY1-1203

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

CORPORATE INFORMATION

Legal advisors

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
Hong Kong

Compliance advisor

Rainbow Capital (HK) Limited
Room 5B, 12/F, Tung Ning Building
No. 2 Hillier Street, Sheung Wan
Hong Kong

Hong Kong share registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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 banks

China Merchants Bank Co., Ltd., Beijing Branch
1/F, China Merchants International Financial
Centre A
156 Fuxingmennei Street
Beijing, PRC

Industrial and Commercial Bank of China Limited,
Shenzhen Branch
No. 1 Jintang Road, Shennan East Road
Luohu District Shenzhen, Guangdong, PRC

Stock code

9959

Company website

www.linklogis.com

KEY HIGHLIGHTS

KEY FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Change (%)
	2022 (Unaudited)	2021 (Unaudited)	
	<i>(RMB in thousands, except percentages)</i>		
Revenue and income from principal activities	510,468	526,572	(3.1)
Supply Chain Finance Technology Solutions	481,107	493,554	(2.5)
Emerging Solutions	29,361	33,018	(11.1)
Gross profit	424,033	406,884	4.2
Gross margin (%)	83.1	77.3	5.8 ⁽¹⁾
Profit/(loss) for the period attributable to equity shareholders of the Company	43,046	(13,033,313)	(100.3)
<i>Non-IFRS measures</i>			
Adjusted profit for the period (non-IFRS)	127,951	152,279	(16.0)
Adjusted profit margin (non-IFRS) (%)	25.1	28.9	(3.8) ⁽¹⁾

Note:

(1) Percentage points

KEY HIGHLIGHTS

KEY BUSINESS HIGHLIGHTS

	For the six months ended June 30, 2022	For the year ended December 31, 2021	Change (%)
Total number of partners ⁽¹⁾			
Anchor enterprise	880	679	30
Financial institution	308	291	6
Supply Chain Finance Technology Solutions			
Number of anchor enterprise customers	285	218	31
Number of financial institution customers	141	132	7
Customer retention rate (%) ⁽²⁾	95	97	(2) ⁽³⁾

Notes:

- (1) The number of customers for a given period refers to the total number of customers that had at least one revenue-generating contract with the Group during that period. The number of partners for a given period include both (i) the Group's customers who enter into revenue-generating contracts with us; and (ii) other businesses who do not enter into revenue-generating contracts with the Group but are served through the Group's solutions during that period.
- (2) The retention rate is calculated by dividing the number of customers for the same period in the previous year who remain the Group's customers in the current period by the total number of customers for the same period in the previous year.
- (3) Percentage points.

KEY HIGHLIGHTS

The following table sets forth the breakdown of the total volume of supply chain assets processed by, or for the Group's SME Credit Tech Solutions, the total amount of financing enabled by, its technology solutions for the periods indicated.

	For the six months ended		Change (%)
	June 30,	2021	
	2022		
	<i>(RMB in million)</i>		
Supply Chain Finance Technology Solutions			
(a) Anchor Cloud			
AMS Cloud	34,848.4	33,433.6	4.2
Multi-tier Transfer Cloud	26,649.1	17,208.7	54.9
Subtotal (Anchor Cloud):	61,497.5	50,642.3	21.4
(b) FI Cloud			
ABS Cloud	16,442.8	18,372.9	(10.5)
eChain Cloud	32,783.8	28,933.8	13.3
Subtotal (FI Cloud):	49,226.6	47,306.7	4.1
Total (Supply Chain Finance Technology Solutions):	110,724.1	97,949.0	13.0
Emerging Solutions			
Cross-border Cloud	4,648.7	2,907.1	59.9
SME Credit Tech Solutions	525.5	967.6	(45.7)
Total (Emerging Solutions):	5,174.2	3,874.7	33.5
TOTAL:	115,898.3	101,823.7	13.8

2022 Interim Results Summary

In the first half of 2022, with the resurgence of COVID-19 in China influenced business and consumer demand, combined with the international environment's uncertainties, China's economic growth was under pressure. Repeated epidemic outbreaks in major cities in China caused regional supply chain disruptions, which subsequently affected supply chain financing activities. Despite the challenging macro environment, we continued to focus on executing our multi-product and customer industry diversification strategies, and achieved solid growth in the number of customers and the volume of transaction processed. Meanwhile, we took the initiatives to optimize our organizational structure and improve operating efficiency in order to better focus on our key strategic areas and control operating expenses, and these initiatives have already yielded initial results. As a result, the Group maintained solid profitability despite the complex and volatile market environment during the first half of 2022.

In the first half of 2022, the total transaction volume processed by our technology solutions reached RMB115.9 billion, up 13.8% year-over-year compared with RMB101.8 billion in the first half of 2021. Our revenue and income from principal activities reached RMB510.5 million, down 3.1% year-over-year compared with RMB526.6 million in the first half of 2021. Our gross profit reached RMB424.0 million, an increase of 4.2% from RMB406.9 million in the first half of 2021. Benefiting from our multi-product strategy and optimization of product structure, our gross profit margin continued to improve, increasing from 61.3% in 2020 to 77.4% in 2021 and further increasing to 83.1% in the first half of 2022. Our adjusted profit was RMB128.0 million in the first half of 2022 and adjusted profit margin reached 25.1%.

In the first half of 2022, the number of anchor enterprise customers for our Supply Chain Finance Technology Solutions was 285, an increase of 31% compared with 2021, and the number of financial institution customers was 141, an increase of 7% compared with 2021. In the first half of 2022, 62% of new customers were referred by our existing customers or partners. We maintained a high customer retention rate of 95% in the first half of 2022.

Business Review

In April 2022, the Central Committee of the Communist Party of China and the State Council jointly issued The Opinions on Accelerating Building a Unified Domestic Market, reassuring the development of supply chain finance by providing financial products directly to the operating entities in economic circulation, the promotion of sci-tech innovation and industrial upgrade, and the cultivation of a number of digital platforms and supply chain enterprises with global influence. With the deep integration of financial technology and supply chain digitization, supply chain finance technology has helped to build a systematic mechanism to alleviate the financing difficulties and high financing costs faced by SMEs, empower the digital transformation of financial institutions, and sustain the healthy development of the industrial ecosystem. Supply chain finance has also received strong support from the government and regulatory authorities, becoming a key driver for the regional development of industrial and specialty finance. The supply chain finance technology industry is ushering in huge market opportunities.

CHAIRMAN'S STATEMENT

We are a leading technology solution provider for supply chain finance in China. According to the *2022 China Supply Chain Finance Technology Industry Report* by China Insights Consultancy, we remained the largest third-party supply chain finance technology solution provider in China in 2021, with a market share of 21.5%. We are committed to redefining and transforming supply chain finance through technology and innovation to become a world-leading supply chain finance technology solution provider.

In the first half of 2022, the macro economy was impacted by a new wave of COVID-19 epidemic outbreaks in China. Nevertheless, we focused on our core strategies and continued to optimize our market presence and product portfolios in the first half of 2022, achieving promising results in terms of customer acquisition and expansion into new industries. As a result, we recorded a solid growth of 13.8% in the total transaction volume processed by our technology solutions.

Facing uncertainties in the macro economy environment, we believe the supply chain finance technology will continue to play a positive role in “stabilizing the economy, promoting industry development, and relieving SMEs”. Meanwhile, the application of advanced technologies such as AI, blockchain, big data, and privacy computing will continue to drive the supply chain finance industry to address a wider range of business scenarios with more diversified products, promoting overall cost reduction and efficiency gains in the industry chain and the sustainable development of the industry-financing combination.

Supply Chain Finance Technology Solutions

Our Supply Chain Finance Technology Solutions are cloud-native technology solutions that digitalize the supply chain payment and financing process centered on anchor enterprises' credit profiles. In the first half of 2022, the total volume of supply chain assets processed by our Supply Chain Finance Technology Solutions was RMB110.7 billion, up 13.0% year-over-year from RMB97.9 billion in the first half of 2021. We served 880 anchor enterprises during the period, including 43 of the Top 100 Companies in China.

Anchor Cloud

In the first half of 2022, the total volume of supply chain assets processed by our Anchor Cloud reached RMB61.5 billion, up 21.4% year-over-year. The State-owned Assets Supervision and Administration Commission of the State Council issued several documents at the end of last year and in the first half of this year requiring central state-owned enterprises to build their own supply chain finance technology platforms based on the principle of “openness and sharing”. By actively seizing opportunities in the industry and taking advantage of policy support, we have increased our market presence and expanded our sales coverage. Leveraging our brand reputation and wealth of experience established through years of deep engagement in the supply chain finance technology sector, we successfully acquired new large and high quality anchor enterprise clients such as China Mobile, China General Nuclear Power Corporation, Yihai Kerry, China Electronics Corporation and China Railway Construction. In the first half of 2022, we acquired 81 new anchor enterprise customers, with the number of customers reaching 285, a 31% year-over-year increase from 218 in 2021. We actively promoted the multi-product strategy, using AMS Cloud and Multi-tier Transfer Cloud to meet customers' diverse needs and help anchor enterprises drive overall cost reduction and efficiency improvement in the industry chain.

CHAIRMAN'S STATEMENT

In the AMS Cloud segment, the total volume of supply chain assets we processed in the first half of 2022 was RMB34.8 billion, up 4.2% year-over-year. Our Enterprise Central Control Platform (企業數字中台), which was initiated in 2021, has made solid progress. As of June 30, 2022, we have launched cooperation projects with 8 anchor enterprises on this platform, and the cumulative volume of assets involved in these projects in the first half of 2022 exceeded RMB9.5 billion. Through direct connection between the Enterprise Central Control Platform and the internal finance and ERP systems of our customers', we achieve automatic asset data collection and efficient contract verification. Our solution integrates multiple financing channels, enabling anchor enterprises to achieve central management and visualized analysis, further enhancing customer experience and stickiness.

In the Multi-tier Transfer Cloud segment, the total volume of supply chain assets we processed in the first half of 2022 was RMB26.6 billion, up 54.9% year-over-year. In the first half of 2022, we had 210 anchor enterprise customers in this segment, including 77 new customers acquired during the period. The total asset volume continued to grow rapidly for several reasons. First, the number of customers increased as we continued to expand our industry coverage. For example, we successfully expanded into the telecommunication industry through serving China Mobile and expanded into the new energy photovoltaic industry through serving Trinasolar. Second, the transaction volume of our existing customers continued to grow as we leveraged the network effect of the supply chain finance ecosystem to enhance penetration in each of the existing customer's supply chains. Third, we continued to upgrade and improve our solutions through technological innovation and ongoing iteration, innovating new products for new scenarios in response to the different characteristics of the supply chain in various industries. For example, we continued to innovate in supply chain finance asset scenarios, expanding from accounts receivable financing to distributor financing, purchase order financing and supply chain bills, and have been offering these new products and applications to our existing customers, enhancing customer stickiness and revenue contribution from each customer through cross-selling. For existing products, we also innovate and optimize proactively to satisfy customized demand. Taking our multi-tier accounts receivable transfer product as an example, we have further enriched our products with diversified features, including accounts receivable pledge financing, accounts receivable pool financing and cash discounting, thus making our products applicable to a wider range of industry use cases. As we continue to provide full-scope solutions to secure existing customers, these multiple growth drivers are leading to rapid growth in the total transaction volume.

FI Cloud

The total volume of supply chain assets processed by our FI Cloud in the first half of 2022 was RMB49.2 billion, up 4.1% year-over-year. The financial industry has witnessed a faster digital transformation, with higher requirements for financial institutions' technology capabilities driving the rising demand for third-party technology solution providers. We have actively engaged with all types of financial institutions and explored various business opportunities that can contribute to the synergistic development of the supply chain ecosystem by helping financial institutions broaden their business scenarios, optimize their approach to financing, and realize precise inclusive finance. Through ABS Cloud and eChain Cloud, we enable financial institutions to realize intelligent transformation and upgrade from "digital" to "digital and intelligent".



CHAIRMAN'S STATEMENT

In the ABS Cloud segment, the total volume of supply chain assets processed by us in the first half of 2022 was RMB16.4 billion, down 10.5% year-over-year. In the first half of 2022, the strict control measures and city lockdowns in response to the epidemic resulted in a shortage of new construction projects, delays to existing projects, and disruptions in the manufacturing supply chains, all of which affected the financing activities of upstream suppliers. Coupled with the debt crisis confronting some Chinese privately-owned property developers, the supply chain asset securitization market shrank in the first half of this year. According to statistics from Wind, the volume of standard supply chain asset securitization in the first half of 2022 fell by about 40% year-over-year. Since May 2022, various ministries in Chinese government have made a few announcements highlighting the need to stabilize the economy and secure employment. Both the Shanghai and Shenzhen Stock Exchanges and the National Association of Financial Market Institutional Investors have actively expressed support for the development of supply chain finance asset securitization, and stated that they will continue to maintain an open attitude toward financing for real estate companies, especially those that are privately-owned, in order to meet these companies' normal and reasonable financing needs. Driven by several factors including favorable policies, market and industry demand recovery, we expect the market to bottom out in the second half of the year.

In the eChain Cloud segment, the total volume of supply chain assets processed by us in the first half of 2022 was RMB32.8 billion, up 13.3% year-over-year. The growth of our eChain Cloud business slowed down mainly due to our major financial institution customers are located in first-tier cities, which have been significantly affected by the COVID-19 resurgence since March, particularly in Shanghai, Shenzhen and Beijing. Subsequently, their supply chain financing businesses slowed down due to the epidemic prevention and control measures. In the first half of 2022, we have cooperated with 73 financial institutions customers on the eChain Cloud, an increase of 11 new customers compared with 2021. We have established in-depth partnerships with all six state-owned commercial banks, ten out of the twelve joint-stock commercial banks, twelve city commercial banks and seven international banks. In addition, we have developed a wide range of AI-driven products for financial institutions' supply chain scenarios, such as BeeFlash Cloud (“蜂速雲”), an intelligent due diligence SaaS product, which help financial institutions realize the digital intelligent transformation of their business, technology and data in order to achieve innovative growth. We expect our eChain Cloud business to rebound in the second half of this year as the epidemic eases, and we continue on customer penetration and acquisition, as well as product innovations.

Emerging Solutions

Cross-border Cloud

We provide one-stop digital cross-border trade and supply chain financing solutions through Cross-border Cloud. In the first half of 2022, the volume of supply chain assets processed by Cross-border Cloud amounted to RMB4.6 billion, up 59.9% year-over-year, mainly benefiting from growth in new cross-border product use cases. Cross-border Cloud revenue and income increased to RMB16.8 million, up 83.4% year-over-year.

CHAIRMAN'S STATEMENT

To meet the urgent needs of Chinese cross-border e-commerce sellers for cross-border payment and settlement, foreign exchange settlement and financing, we cooperated with cross-border e-commerce platforms such as Amazon. Through the cooperation, we successfully expanded our Cross-border Cloud customer base from traditional international trade scenarios to cross-border e-commerce, providing one-stop integrated digital cross-border trade financing services for SME merchants on these platforms. In the first half of this year, we connected with the Shenzhen cross-border e-commerce online integrated service platform and provided transparent customs clearance service for cross-border e-commerce sellers. We have also reached cooperation with cross-border industrial parks across the country, such as the Integrated Export Service Platforms of Comprehensive Bonded Zone in Nanchang to provide cross-border e-commerce sellers in China with access to one-stop services such as export customs clearance, tax compliance, cross-border payment collection, and financing services.

SME Credit Tech Solutions

In the SME Credit Tech Solutions segment, we provide data-driven risk analytics and solutions as well as online financing services. Considering the overall macro economy environment and evolving regulation policies, we will strategically reduce the size of this business segment. As of June 30, 2022, the outstanding amount of self-funded financing transactions enabled by our SME Credit Tech Solutions was RMB150.8 million, down by 42.2% from RMB260.6 million as of December 31, 2021.

Diversification of Customers and Industries

Our core strategic direction is to grow our anchor enterprise customers and partners across a diverse set of industries, expand into additional supply chain scenarios, and develop our solutions for different industries. At present, our Supply Chain Finance Technology Solutions serve a wide range of anchor enterprises in various sectors and have covered all of the 31 industries listed in the SWS Industry Classification, among which 9 industries' anchor enterprise customers and partners contributed a volume of supply chain asset transactions over RMB2 billion in the first half of 2022. In terms of the total volume of supply chain assets processed by our Supply Chain Finance Technology Solutions, the top five industries of anchor enterprise customers and partners as well as their proportions of the total over the past periods are shown in the table below.

Industry	For the year ended	Industry	For the three months ended	Industry	For the three months ended
	December 31, 2021		March 31, 2022		June 30, 2022
	% of the		% of the		% of the
	total volume		total volume		total volume
Real estate	42%	Real estate	34%	Real estate	32%
Conglomerate	12%	Infrastructure/construction	17%	Infrastructure/construction	20%
Infrastructure/construction	9%	Conglomerate	9%	Conglomerate	12%
Utilities	6%	Steel	8%	Computer/Internet	7%
Commerce/retail	4%	Transportation	6%	Steel	4%

CHAIRMAN'S STATEMENT

Sustainable Development

We attach great importance to sustainable development management and have incorporated it into our decision-making in product development and business growth. We have stipulated our environmental, social and governance (“**ESG**”) mission, which is “technology empowers the development of sustainable supply chain finance”. In May 2022, we unveiled our first ESG report, which elaborates on our performance in key areas such as green and low-carbon operations, green financial innovation, financial inclusion, data and information security, and building organizational capabilities. Sustainalytics, a global ESG rating agency under Morningstar, graded us as ‘low risk’ with 17.8 points in the initial ESG rating. We ranked in the top 18% among 14,868 companies evaluated worldwide and in the top 15% within the global software and service industry.

We actively promote the development of green finance. In the first half of 2022, we launched the green finance platform Carbon0chain (“綠色E鏈”). Carbon0chain combines our Multi-tier Transfer Cloud and ESG data intelligent platform NeutralStudio (“蜂淨”), and effectively solves the two major pain points in the green finance market: the difficulty of calculating and tracking carbon footprint, and the lack of motivation among companies in the industrial chain to go carbon neutral. Leveraging our edge computing and trusted blockchain technologies, Carbon0chain is able to calculate and track the granular Scope 3 carbon footprints of the Greenhouse Gas (GHG) Protocol, facilitating carbon emission management and carbon footprint measurement. Enterprises using the Carbon0chain can get a green credit score calculated by this advanced technology to access more favorable financing rates from financial institutions on the Carbon0chain, which will attract more participants and encourage sustainable development.

We use supply chain finance technology solutions to help financial institutions inject funds into sustainable supply chains, and have designated the relevant funding volume as the key performance indicator for internal management. In the first half of 2022, the assets of transactions we served related to sustainable supply chains (including green finance, renewable energy, rural revitalization and pandemic relief etc.) reached RMB2.1 billion. Going forward, we will strive to increase the support for sustainable supply chains and invest more of our resources in business scenarios related to sustainable development, so as to encourage enterprises to step up green investment, reduce carbon and pollutant emissions and create social benefits.

Technology Development

We insist on driving technology progress through innovation and continuously increase our investments in research and development. We have continued to focus on the development of cutting-edge technologies, such as artificial intelligence, blockchain, big data, cloud computing, edge computing and privacy computing, aiming to transform all aspects of supply chain finance and facilitate digital transformation and upgrade at the intersection of industry and finance.

In the first half of 2022, our R&D expenses was RMB160.2 million, an increase of 33.3% year-over-year, accounting for 31.4% of the total revenue and income. As of June 30, 2022, we had 615 R&D staff, representing 63% of our total workforce. As of June 30, 2022, our accumulated patent applications reached 343, with 25 licensed patents, and we had accumulated 142 copyright registrations.

CHAIRMAN'S STATEMENT

Our underlying technology capabilities have continuously been highly recognized by professional institutions at home and abroad, and won awards at top-level competitions. In artificial intelligence, we won the second place in handwriting recognition at the World Artificial Intelligence Conference, and third prize in the TRT Hackathon 2022 held by NVIDIA. We also became a member of artificial intelligence professional committee of the Beijing Fintech Industry Alliance. In blockchain, we ranked second in relevant market share according to IDC's "Research on the Share of Vendors in Blockchain-Based Financial Asset Circulation Scenarios, 2021", with a market share of 21.8%. We were selected into the Top 100 Blockchain Enterprises 2022 at the China Industry Blockchain Conference 2022. Our blockchain technology application case was selected into the "China Information Yearbook", and we became a member of the Developer Committee of the Blockchain-based Service Network Development Association. In cloud computing, our Container Cloud ("容器雲") platform has successively obtained two authoritative certifications from KCSP and Huawei Kunpeng. Our BeeEdge ("蜂網") computation platform has passed the multi-party security computing application evaluation by the China Academy of Information and Communications Technology ("CAICT"), and participated in setting three CAICT standards for Internet of Things. Our Bee Security Privacy-preserving Computing Platform has also passed the multi-party secure computing application evaluation conducted by the National Financial Technology Evaluation Center, becoming the first financial-level multi-party secure computing product that uses underlying blockchain as the dispatcher.

We remain committed to data security and privacy protection, strictly complied with national regulations and compliance requirements, and built up our security technology system capabilities from multiple dimensions such as information security management, information security assurance, information security certification and risk management, in order to ensure a safe and credible environment for our customers' and partners' development. We have independently developed an enterprise-level data security collaboration platform, BeeSecurity Privacy-preserving Computing Platform ("蜂密隱私計算平台"), which integrates multiple privacy computing technologies including multi-party secure computing and homomorphic encryption. With the platform, we aim to provide solutions to issues such as data silos, data rights confirmation and data privacy protection for all parties in the supply chain industry, achieving the security goal of "making data usable but invisible". We have integrated the Federated Learning-based privacy computing product BeePreservation ("蜂隱") into BeeFeather ("蜂羽"), our Low Code AI Development Platform, to expand the data value application scenarios of deep learning, and meet regulatory and privacy security requirements while realizing more business opportunities.

CHAIRMAN'S STATEMENT

Ecosystem Investment and Cooperation

We have cooperated with our strategic partners by establishing joint ventures and making strategic investments, strengthening the foundation of the partnership that enables us to enter new markets and expand our product offerings. Since the beginning of 2022, we have made the following important developments with our ecosystem partners:

- In January, 2022, OLEA GLOBAL PTE. LTD (“**Olea**”), our joint venture with Standard Chartered, was officially launched. Olea is committed to building an international digital trade financing platform powered by blockchain. Olea has developed strategic customers such as Vayana, India’s largest trade finance platform, and SUMEC Group, a cross-border trading group affiliated to China National Machinery Industry Corporation. Going forward, by further leveraging our leading supply chain finance technology capabilities and Standard Chartered’s rich experience in financial services, Olea will connect global financial institutions and institutional investors, promote digital innovation and upgrading of cross-border trade and financing, and provide efficient financing solutions for global SMEs.
- In June, 2022, Green Link Digital Bank (“**GLDB**”), which we jointly established with Greenland, commenced operations, among the first digital bank licensees to launch in Singapore. At the end of June, 2022, GLDB’s equity capital was SGD 160 million. Digital supply chain financing will be one of GLDB’s focuses, and the bank will launch online and digital supply chain financing products for SMEs. GLDB will be committed to business digitization, promoting the development of the digital economy and fostering an open digital finance ecosystem in Singapore.
- In June, 2022, we made an investment of RMB50 million in Shanghai Ouyeel Financial Information Services Co., Ltd., the financial service platform under China Baowu Steel Group Corporation, the world’s largest steelmaker. With total revenue of large and medium steelmakers in China amounting to RMB6.9 trillion in 2021, the steel industry’s size and industrial chain structure present an ideal scenario for the development of supply chain finance solutions. Through this investment, we established an in-depth collaboration with the industry-leading steel enterprise, in which we will jointly explore new supply chain financing opportunities in the steel industry, and unlock potential cooperation opportunities related to supply chain bills, data-based credit financing, purchase order and inventory financing. This will in turn help to expand our supply chain financing product portfolios. We will also introduce our green supply chain finance products to promote green financing and carbon emission reduction in the steel industry.

CHAIRMAN'S STATEMENT

Business Outlook

Amid a complex macro environment, we will remain committed to our original aspiration and responsibility to facilitate the digital transformation of supply chain finance and promote high-quality business growth. Our priorities for the second half of 2022 include the following aspects. First, we will accelerate the diversification of our client base by onboarding customers from different industries and reducing reliance on any single industry. In particular, as the real estate industry has recently entered into a downward cycle, we will ramp up efforts in other industries in order to drive the sustained growth of our overall business. Second, we will improve the allocation of internal resources and devote more R&D and sales efforts to the Multi-tier Transfer Cloud and eChain Cloud segments. Third, we will optimize our organizational structure and improve operation efficiency to focus more on our key strategic business as well as controlling operating expenses. Fourth, we will enhance the sustainable development of our supply chain financing business by supporting initiatives in the fields such as green finance, renewable energy, rural revitalization and pandemic relief, thereby creating positive environmental and social impacts. In the second half of 2022, we expect robust demand from customers and continued momentum in both new customer acquisition and transaction volume growth.

We are confident in the resilience of our business model and long-term development prospects. We will continue to generate long-term value for our shareholders and create win-win outcomes with our customers and partners.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Revenue and income from principal activities	510,468	526,572
Cost of principal activities	(86,435)	(119,688)
Gross profit	424,033	406,884
Research and development expenses	(160,151)	(120,112)
Sales and marketing expenses	(72,152)	(57,956)
Administrative expenses	(112,325)	(100,013)
Impairment loss	(22,673)	(16,952)
Other net income	34,082	45,891
Profit from operation	90,814	157,742
Finance costs	(18,108)	(75,495)
Share of (loss)/profit of equity accounted investees	(19,410)	7,203
Fair value changes of financial liabilities measured at fair value through profit or loss	–	(13,085,985)
Profit/(loss) before taxation	53,296	(12,996,535)
Income tax expense	(18,101)	(36,407)
Profit/(loss) for the period	35,195	(13,032,942)
Attributable to:		
Equity shareholders of the Company	43,046	(13,033,313)
Non-controlling interests	(7,851)	371

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and income from principal activities

The table below sets forth a breakdown of our revenue and income from principal activities by type of solutions, in absolute amounts and as percentages of total revenue and income from principal activities, for the periods indicated:

	For the six months ended June 30, 2022		2021	
	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>				
Supply chain Finance Technology Solutions				
Anchor Cloud	291,572	57.1	265,559	50.4
FI Cloud	189,535	37.1	227,995	43.3
Subtotal	481,107	94.2	493,554	93.7
Emerging Solutions				
Cross-border cloud	16,820	3.3	9,171	1.7
SME Credit Tech Solutions	12,541	2.5	23,847	4.5
Subtotal	29,361	5.8	33,018	6.3
Total	510,468	100.0	526,572	100.0

Our total revenue and income decreased by 3.1% from RMB526.6 million for the six months ended June 30, 2021 to RMB510.5 million for the six months ended June 30, 2022.

Our revenue and income from Anchor Cloud increased by 9.8% from RMB265.6 million for the six months ended June 30, 2021 to RMB291.6 million for the six months ended June 30, 2022, which was primarily attributable to the increase in the volume of supply chain assets processed by Multi-tier Transfer Cloud and the increase in revenue and income from new models such as system development and digital commercial bill based financing solution.

Our revenue and income from FI cloud decreased by 16.9% from RMB228.0 million for the six months ended June 30, 2021 to RMB189.5 million for the six months ended June 30, 2022, which was primarily attributable to the decrease in the volume of supply chain assets processed by ABS Cloud, and the lowered pricing and the changing structure of the products offered by FI Cloud.

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue and income from cross-border cloud increased by 83.4% from RMB9.2 million for the six months ended June 30, 2021 to RMB16.8 million for the six months ended June 30, 2022, which was primarily attributable to the increase in system development fee and the increase in total volume of supply chain assets processed by Cross-border Cloud.

Our revenue and income from SME Credit Tech Solutions decreased by 47.4% from RMB23.8 million for the six months ended June 30, 2021 to RMB12.5 million for the six months ended June 30, 2022, primarily because we have strategically reduced the amount of financing enabled by SME Credit Tech Solutions.

Cost of principal activities

The table below sets forth a breakdown of our costs of principal activities by nature, in absolute amounts and as percentages of total revenue and income from principal activities, for the periods indicated:

	For the six months ended June 30,			
	2022		2021	
	RMB	%	RMB	%
	<i>(In thousands, except for percentages)</i>			
Cost of principal activities				
Sales service fees	27,063	5.3	71,303	13.5
Technology service fees	17,526	3.4	9,587	1.8
Professional service fees	16,434	3.2	19,056	3.6
Management service fees	2,848	0.6	14,176	2.7
Others	22,564	4.4	5,566	1.1
Total	86,435	16.9	119,688	22.7

The cost of our principal activities decreased by 27.8% from RMB119.7 million for the six months ended June 30, 2021 to RMB86.4 million for the six months ended June 30, 2022, which was primarily attributable to cost-savings from our optimized product structures.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The following table sets forth details of the gross profit and gross profit margin of our solutions for the periods indicated:

	For the six months ended June 30, 2022		2021	
	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %
<i>(In thousands, except for percentages)</i>				
Gross profit and gross profit margin				
Supply Chain Finance Technology Solutions	396,678	82.5	375,272	76.0
Emerging Solutions	27,355	93.2	31,612	95.7
Total	424,033	83.1	406,884	77.3

The Group's gross profit increased by 4.2% from RMB406.9 million for the six months ended June 30, 2021 to RMB424.0 million for the six months ended June 30, 2022. The Group's gross profit margin increased from 77.3% for the six months ended June 30, 2021 to 83.1% for the six months ended June 30, 2022. This was primarily attributable to (i) our optimized product structure and increasing proportion of business with a higher gross profit margin; and (ii) our increasing economies of scale and cost-efficiency as our business continued to grow.

Research and development expenses

The Group's R&D expenses increased by 33.3% from RMB120.1 million for the six months ended June 30, 2021 to RMB160.2 million for the six months ended June 30, 2022, which was primarily attributable to an increase of salaries and other benefits associated with our R&D employees that are not capitalized resulting from our increased headcount, and amortization of capitalized research and development expenses. On a non-IFRS basis, our R&D expenses, excluding share-based compensation, increased by 45.9% year-over-year, or increased by 12.6% compared to the six months ended December 31, 2021.

Sales and marketing expense

Our sales and marketing expenses increased by 24.5% from RMB58.0 million for the six months ended June 30, 2021 to RMB72.2 million for the six months ended June 30, 2022, primarily due to an increase of salaries and other benefits associated with our sales and marketing employees. On a non-IFRS basis, our sales and marketing expenses, excluding share-based compensation, increased by 28.8% year-over-year, or decreased by 3.1% compared to the six months ended December 31, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The Group's general and administrative expenses increased by 12.3% from RMB100.0 million for the six months ended June 30, 2021 to RMB112.3 million for the six months ended June 30, 2022, which was primarily attributable to an increase of salaries and other benefits associated with our general and administrative employees and outsourcing manpower, offsetting by a decrease of listing related expenses as there were no such expenses incurred in the first half of 2022. On a non-IFRS basis, our general and administrative expenses, excluding share-based compensation and listed related expenses, increased by 44.1% year-on-year, or decreased by 18.8% compared to the six months ended December 31, 2021.

Share-based compensation

The table below sets forth a breakdown of our share-based compensation in relation to share incentives granted to employees by expense categories, which is a non-cash expense, in absolute amounts and as percentages of total share-based compensation, for the periods indicated:

	For the six months ended June 30,		2021	
	2022			
	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>				
<hr/>				
Share-based compensation				
Included in R&D expenses	51,773	55.8	45,853	54.0
Included in sales and marketing expenses	11,477	12.4	10,834	12.7
Included in administrative expenses	29,506	31.8	28,302	33.3
Total	92,756	100.0	84,989	100.0

The Group's share-based compensation increased by 9.1% from RMB85.0 million for the six months ended June 30, 2021 to RMB92.8 million for the six months ended June 30, 2022, which was primarily attributable to increased share incentives granted to employees.

Impairment loss

Our impairment loss, which consists primarily of the impairment on (i) financial assets at amortized cost; (ii) financial assets at fair value through other comprehensive income; (iii) trade and other receivables; and (iv) provisions for guarantee liabilities, increased by 33.7% from RMB17.0 million for the six months ended June 30, 2021 to RMB22.7 million for the six months ended June 30, 2022. We have taken prudent views in making impairment loss, considering the evolving macro economy environment and the worsened operating conditions of certain SMEs and anchor enterprise customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Other net income

Our other net income consists primarily of (i) interest income from bank deposits; (ii) investment gains from financial investments at fair value through profit or loss; (iii) government grants; and (iv) foreign exchange difference. The total amount of other net income decreased from RMB45.9 million for the six months ended June 30, 2021 to RMB34.1 million for the six months ended June 30, 2022, which was primarily attributable to the changes of exchange difference resulting from fluctuations of exchange rates between foreign currencies and reporting currencies in financial statements in the Company and its subsidiaries. The Group recorded a foreign exchange loss for the six months ended June 30, 2022 compared to a foreign exchange gain for the six months ended June 30, 2021.

Profit from operation

As a result of the foregoing, the Group's profit from operation for the period decreased from RMB157.7 million in the six months ended June 30, 2021 to RMB90.8 million in the six months ended June 30, 2022.

Finance costs

Our finance costs decreased by 76.0% from RMB75.5 million for the six months ended June 30, 2021 to RMB18.1 million for the six months ended June 30, 2022, which was primarily attributable to the decrease of the warehoused accounts receivable supported by short-term bridge loans in the securitization offerings enabled by our solutions.

Share of (loss)/profit of equity accounted investees

Our share of (loss)/profit of equity accounted investees arises from the changes of equity including profits and losses of equity accounted investees of which the investments are accounted for using equity method in proportion to our equity interests in them. We had share of loss of RMB19.4 million for the six months ended June 30, 2022 as some of equity accounted investees we invested in, primarily Olea and GLDB, were loss making in their early stages of development. We had share of profit of RMB7.2 million for the six months ended June 30, 2021.

Fair value changes of financial liabilities measured at fair value through profit or loss

Our fair value changes of financial liabilities measured at fair value through profit or loss primarily arises from the change in the carrying amounts of (i) redeemable convertible preferred shares in connection with the investments from investors before the Listing Date; and (ii) the ordinary shares with preferential rights held by certain investors before the Listing Date. Fair value changes of financial liabilities measured at fair value through profit or loss was no longer exist after the automatic conversion of our redeemable convertible preferred shares and ordinary shares with preferential rights to ordinary shares upon the Listing in April 9, 2021 and thus there is no relating fair value changes for the six months ended June 30, 2022. We recorded a significant loss on changes in fair value of financial liabilities measured at fair value through profit or loss of RMB13,086.0 million for the six months ended June 30, 2021, primarily due to a significant increase in the fair value of financial liabilities measured at fair value through profit or loss in the period, taking reference to the offering price of the Class B Shares upon the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

We had an income tax expense of RMB18.1 million and RMB36.4 million for the six months ended June 30, 2022 and 2021, respectively.

Profit/(loss) for the period

As a result of the foregoing, the Group recorded a profit for the period of RMB35.2 million in the six months ended June 30, 2022 and a loss for the period of RMB13,032.9 million in the six months ended June 30, 2021, respectively.

Non-IFRS measures

To supplement our consolidated financial statements presented in accordance with IFRS, we use adjusted profit for the period as additional financial measure, which are not required by, or presented in accordance with IFRS. We believe that the non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance.

We believe that the measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted profit for the period may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and investors should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted profit as profit/(loss) for the period, excluding share-based compensation, fair value changes of redeemable convertible preferred shares and ordinary shares with preferential rights, and listing related expenses of the Company. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table reconciles our adjusted profit for the six months ended June 30, 2022 and 2021 presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

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

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
Profit/(loss) for the period	35,195	(13,032,942)
Add		
Share-based compensation ⁽¹⁾	92,756	84,989
Fair value changes of redeemable convertible preferred shares and ordinary shares with preferential rights ⁽²⁾	–	13,085,985
Listing related expenses ⁽³⁾	–	14,247
Adjusted profit for the period (non-IFRS)	127,951	152,279

Notes:

- (1) Share-based compensation relates to the restricted share units that we granted under our share incentive plan, 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 and ordinary shares with preferential rights represent the losses arising from change in fair value of our issued redeemable convertible preferred shares and ordinary shares with preferential rights before the initial public offering of the Shares (the "IPO"), which were recognised as financial liabilities at fair value through profit or loss. Such changes no longer existed after the automatic conversion of our redeemable convertible preferred shares and ordinary shares with preferential rights to ordinary shares of the Company upon the Listing and are non-cash in nature and are not directly related to our operating activities.
- (3) Listing related expenses relates to the Global Offering, which is one-off in nature and not directly related to our operating activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit exposure

Our credit exposures primarily include (i) supply chain assets we hold on our balance sheet under our Supply Chain Finance Technology Solutions, which the anchor enterprises have payment obligation to us, and (ii) self-funded and covered transactions.

As of June 30, 2022, the outstanding balance of supply chain assets held on our balance sheet financed by our own capital was RMB3,390.4 million, which are represented within the items of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, and prepayment, other receivables and other assets in the balance sheet. We acquired such assets primarily through the warehousing process in the securitization offerings, and the digital commercial bill based financing solutions. The warehousing process in the securitization offerings generally is completed within a short time frame in the event that the asset acquisition is financed by short-term bridge loans or our own capital. Since the second half of 2021, as the economy growth was under pressure and the debt risks of private-owned property developers emerged, investors became more cautious when purchasing supply chain assets. As a result, the average period of warehousing processes increased. We have taken additional risk management measures to monitor and mitigate these risks relating to the supply chain assets held on our balance sheet, by carefully selecting the anchor enterprises, taking into account various criteria such as their credit ratings, industries, historical performance, shareholding structure and market rankings and recognitions.

The outstanding amount of self-funded transactions under Cross-border Cloud was RMB53.9 million as of June 30, 2022. The outstanding amount of self-funded transactions under SME Credit-tech Solutions was RMB150.8 million as of June 30, 2022. Our total exposure to covered transactions as of June 30, 2022 was RMB1,944.4 million. Such exposure arises when we enter into various types of arrangements with financial institutions and other supply chain financing institutions that protect them against losses on the financing they extend supported by our solutions. We use the M3+ overdue ratio to monitor the credit performance of self-funded and covered financing transactions. As of June 30, 2022, the M3+ overdue ratio of self-funded and covered financing transactions was 2.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and source of funding

As at June 30, 2022, the Group's cash and cash equivalents increased by RMB357.5 million from RMB4,927.9 million as at December 31, 2021, to RMB5,285.4 million.

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the Reporting Period. The Group closely monitors its liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements at all times.

Significant investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at June 30, 2022) during the Reporting Period.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associated companies or joint ventures during the Reporting Period.

Borrowings

The carrying amount of borrowings of the Group as at June 30, 2022 were RMB1,767.0 million (as at December 31, 2021: RMB1,190.3 million) which were interest-bearing at interest rates ranging from 0.18% to 10.0% and denominated in RMB. The maturity profile of borrowing is within one year to more than five years.

As at June 30, 2022, the Group had unutilized banking facilities amounting to RMB13,295.4 million (as at December 31, 2021: RMB12,840.0 million).

Pledge of assets

As at June 30, 2022, except for cash at bank amounting to RMB604.0 million pledged for bank borrowings amounting to RMB545.5 million, the Group had no other pledged assets.

Subsequent events after the Reporting Period

Save as disclosed in this report, there were no subsequent events after the end of Reporting Period and up to the Latest Practicable Date.

Future plans for material investments or capital assets

The Group did not have detailed future plans for material investments or capital assets as at June 30, 2022.

Gearing ratio

As at June 30, 2022, the Group's gearing ratio (i.e. the total amount of borrowings and lease liabilities divided by total equity, in percentage) was 18.4% (as at December 31, 2021: 12.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange exposure

During the Reporting Period, the Group mainly operated in China and the majority of the transactions were settled in RMB, which is also the functional currency of the Company's primary consolidated affiliated entities. As at June 30, 2022, except for the bank deposits and intra-group balances denominated in foreign currencies other than the functional currency of the Company, its subsidiaries and consolidated affiliated entities, the Group did not have significant foreign currency exposure from its operations.

The Group currently does not have any foreign currency hedging policies. The management will continue to pay attention to the Group's foreign exchange exposure and consider adopting prudent measures as appropriate.

Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2022 and December 31, 2021.

Capital commitment

For the six months ended June 30, 2022 and December 31, 2021, the Group had no material capital commitment.

Employees and remuneration policy

As at June 30, 2022, the Group had a total of 978 employees. The following table sets forth a breakdown of our employees by function as at June 30, 2022.

Division	Number of employees
Research and development	615
Sales and marketing	158
General administration	205
Total	978

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. Our remuneration policy was reviewed in accordance with current legislation, market conditions and both individual and the Group's performance.

CORPORATE GOVERNANCE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Board is the primary decision-making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Compliance with the Corporate Governance Code

We have complied with all applicable code provisions set forth in Part 2 of the Corporate Governance Code during the Reporting Period save for the following deviation.

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 code provision because Mr. Song performs both the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Song is the co-founder of the Group and has extensive experience in the overall strategic planning, business direction and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Song 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.

The 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. The 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 Corporate Governance Code which came into effect on January 1, 2022 and impose additional requirements applicable to corporate governance reports for the financial year 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 Corporate Governance Code, and maintain high corporate governance standards. The Company will report on the compliance with the latest version of the Corporate Governance Code in the corporate governance report of the Company for the year ending December 31, 2022.

CORPORATE GOVERNANCE

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Specific enquiry has been made of all the Directors and the relevant employees and each of them has confirmed that they have complied with the Model Code during the Reporting Period.

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 HKEXnews.

Audit Committee

The Company has established the 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 three independent non-executive Directors, being Mr. Tan Huay Lim, Mr. Gao Feng and Mr. Chen Wei, with Mr. Tan Huay Lim (being our independent non-executive Director with the appropriate professional qualifications) as the chairman of the Audit Committee.

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

The interim consolidated financial statements for the six months ended June 30, 2022 have been reviewed by KPMG, the Company's independent auditor, 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.

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.

CORPORATE GOVERNANCE

The Corporate Governance Committee comprises of three independent non-executive Directors, namely Mr. Gao Feng, Mr. Tan Huay Lim and Mr. Chen Wei. Mr. Gao Feng is the chairman of the Corporate Governance Committee.

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

- 1) Reviewed the policies and practices of the Company on corporate governance and compliance with legal and regulatory requirements. The policies reviewed include the board diversity policy, shareholders' communication policy, director nomination policy, dividend policy and other corporate governance policies.
- 2) 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.
- 3) Reviewed the remuneration, the terms of engagement and the appointment of the Company's compliance advisor.
- 4) Reviewed and monitored the management of conflicts of interests between the Group/the Shareholders on one hand and the WVR Beneficiary on the other hand.
- 5) 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 hand.
- 6) Reviewed the arrangement for the training and continuous professional development of Directors and senior management.
- 7) Sought to ensure effective and on-going communication between the Company and the Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.
- 8) Reported on the work of the Corporate Governance Committee covering all areas of its terms of reference for the Reporting Period.

The Corporate Governance Committee has confirmed to the Board that 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.

Having reviewed the remuneration and terms of engagement of the compliance advisor, the Corporate Governance Committee 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 advisor or the appointment of a new compliance advisor.

OTHER INFORMATION

Weighted voting rights

The Company is controlled through weighted voting rights. Under this structure, the Company's share capital 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 respect of 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 enables 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 the 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 at June 30, 2022, the WVR Beneficiary was Mr. Song, who was interested in 269,239,647 Class A Shares and 10,008,029 Class B Shares, representing approximately 57.23% of the voting rights of the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. Mr. Song held such Class A Shares through Cabnetvic Company Limited ("**Cabnetvic**"), Cabnetwa Company Limited ("**Cabnetwa**") and Cabnetsa Company Limited ("**Cabnetsa**"), and 9,090,529 Class B Shares through Cabnetnt Company Limited ("**Cabnetnt**") and Cabnetvic, all of which are companies directly wholly-owned by Mr. Song.

Class A Shares may be converted into Class B Shares on a one-to-one ratio. As at the Latest Practicable Date, upon conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 269,239,647 Class B Shares, representing 13.27% of the total number of issued and outstanding Class B Shares or 11.71% of the issued share capital of the Company.

The weighted voting rights attached to 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 Rules, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of the 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 the holder of Class A Shares has transferred to other person(s) 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 Rules;
- (iii) where the vehicles holding Class A Shares on behalf of the WVR Beneficiary no longer comply with Rule 8A.18(2) of the Listing Rules; or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

OTHER INFORMATION

Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company or any of its associated corporations

As at June 30, 2022, the interests and short positions of the Directors and chief executive 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director or chief executive	Nature of interest	Number and class of Shares	Approximate % of interest in each class of Shares ⁽¹⁾
Mr. Song ⁽²⁾	Interest in a controlled corporation	269,239,647 Class A Shares	100.00%
Mr. Song ⁽²⁾	Interest in a controlled corporation Beneficial Owner	9,090,529 Class B Shares	
		917,500 Class B Shares	
		10,008,029 Class B Shares	0.49%
Mr. Ji Kun ^{(3) (4)}	Interest in a controlled corporation Beneficial Owner	46,276,800 Class B Shares	
		8,529,200 Class B Shares	
		54,806,000 Class B Shares	2.70%
Ms. Chau Ka King ("Ms. Chau") ^{(5) (6)}	Interest in a controlled corporation Beneficial Owner	96,372,000 Class B Shares	
		5,726,000 Class B Shares	
		102,098,000 Class B Shares	5.03%

OTHER INFORMATION

Notes:

1. The calculation is based on a total number of 269,239,647 Class A Shares and 2,029,514,801 Class B Shares in issue as at June 30, 2022.
2. Mr. Song is deemed to be interested in the total number Shares held by each of Cabnetvic, Cabnetwa, Cabnetsa and Cabnetnt. Cabnetvic, Cabnetwa, Cabnetsa and Cabnetnt held 222,824,883 Class A Shares and 3,931,917 Class B Shares, 24,781,164 Class A Shares, 21,633,600 Class A Shares and 5,158,612 Class B Shares, respectively, and are wholly-owned by Mr. Song.
3. Mr. Ji is deemed to be interested in the total number of Class B Shares held by Joy Kalton Company Limited ("**Joy Kalton**"). Joy Kalton held 46,276,800 Class B Shares and is wholly-owned by Mr. Ji.
4. Mr. Ji was granted RSUs in respect of 8,119,200 Class B Shares under the Equity Incentive Plan and, in addition, beneficially owned 410,000 Class B Shares.
5. Ms. Chau was deemed to be interested in the total number of Class B Shares held by Let It Bee Company Limited ("**Let it Bee**"). Let it Bee held 17,701,200 Class B Shares and is wholly-owned by Ms. Chau. Ms. Chau was also deemed to be interested in the total number of Shares held by Shirazvic Company Limited ("**Shirazvic**"), which was held approximately 35.29% by Ms. Chau through Let It Bee. Shirazvic held 78,670,800 Class B Shares as at June 30, 2022. Please refer to the disclosure of interest forms filed by Ms. Chau on July 28, 2022 for updates on Ms. Chau's interest since the end of the Reporting Period and up to the Latest Practicable Date.
6. Ms. Chau was granted RSUs in respect of 5,316,000 Class B Shares under the Equity Incentive Plan and, in addition, beneficially owned 410,000 Class B Shares.

Save as disclosed above, as at June 30, 2022, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at June 30, 2022, to the best knowledge of the Directors, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate % of interest in each class of Shares ⁽¹⁾
Class A Shares			
Cabnetvic	Beneficial interest	222,824,883(L)	82.76%
Cabnetwa	Beneficial interest	24,781,164(L)	9.20%
Cabnetsa	Beneficial interest	21,633,600(L)	8.04%
Class B Shares			
Tencent Holdings Limited ⁽²⁾	Interest in controlled corporation	342,121,980(L)	16.86%
Tencent Mobility Limited ⁽²⁾	Beneficial interest	317,128,920(L)	15.63%
CITIC Capital Holdings Limited ("CITIC Capital") ⁽³⁾	Interest in controlled corporation	226,570,072(L)	11.16%
Mr. Lin Lijun (林利軍) ⁽⁴⁾⁽⁵⁾	Interest in controlled corporation	187,528,512(L)	
	Founder of a discretionary trust	15,025,060(L)	
		202,553,572(L)	9.98%
Ms. Gong Ruilin (龔瑞琳) ⁽⁶⁾	Interest of spouse	202,553,572(L)	9.98%
CITIC Capital MB Investment Limited ⁽³⁾	Interest in controlled corporation/Beneficial interest	193,246,000(L)	9.52%
Shanghai Rongmian Information Technology Partnership (Limited Partnership) (上海融勉信息技術合夥企業(有限合夥)) ⁽⁴⁾	Interest in controlled corporation	187,528,512(L)	9.24%
Shanghai Tanying Investment Partnership (Limited Partnership) (上海檀英投資合夥企業(有限合夥)) ⁽⁴⁾	Interest in controlled corporation	187,528,512(L)	9.24%

OTHER INFORMATION

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate % of interest in each class of Shares ⁽¹⁾
Shanghai Loyal Valley Investment Management Co., Ltd (上海正心谷投資管理有限公司) ⁽⁴⁾	Interest in controlled corporation	187,528,512(L)	9.24%
Shanghai Lejin Investment Partnership (上海樂進投資合夥企業(有限合夥)) ⁽⁴⁾	Interest in controlled corporation	187,528,512(L)	9.24%
CCRE Investment Holdings Ltd ⁽³⁾	Beneficial interest	184,656,000(L)	9.10%
Carltonvic Company Limited ⁽⁷⁾	Beneficial interest	174,618,156(L)	8.60%
Trident Trust Company (HK) Limited ⁽⁷⁾	Trustee of a trust	174,618,156(L)	8.60%
GIC (Ventures) Private Limited ⁽⁸⁾	Interest in controlled corporation	166,620,384(L)	8.21%
GIC Private Limited ⁽⁸⁾	Interest in controlled corporation	166,620,384(L)	8.21%
GIC Special Investments Private Limited ⁽⁸⁾	Interest in controlled corporation	166,620,384(L)	8.21%
OWAP Investment Private Limited ⁽⁸⁾	Beneficial interest	166,620,384(L)	8.21%
Tan Linklogis Limited ⁽⁴⁾	Beneficial interest	134,020,512(L)	6.60%

Notes:

- The calculation is based on a total number of 269,239,647 Class A Shares and 2,029,514,801 Class B Shares in issue as at June 30, 2022. The letter "L" stands for long position.
- Tencent Mobility Limited ("**Tencent Mobility**"), a direct wholly-owned subsidiary of Tencent Holdings Limited ("**Tencent**"), holds 317,128,920 Class B Shares. In addition, Double Combo Holding Limited ("**Double Combo**") holds 24,993,060 Class B Shares. Double Combo is an exempt limited liability company, which is ultimately controlled by Tencent. Accordingly, Tencent is deemed to be interested in the total number of Shares held by Tencent Mobility and Double Combo.

OTHER INFORMATION

3. CCRE Investment Holdings Ltd. (“**CCRE Investment**”) is wholly-owned by CITIC Capital MB Investment Limited (“**CITIC Capital MB**”), which is in turn wholly-owned by CITIC Capital. Accordingly, each of CITIC Capital MB and CITIC Capital is deemed to be interested in 184,656,000 Class B Shares held by CCRE Investment. Additionally, 8,590,000 Class B Shares were held by CITIC Capital MB, which is in turn wholly owned by CITIC Capital. Accordingly, CITIC Capital is deemed to be interested in the total number of Shares held by CITIC Capital MB. LLS Holding Limited (“**LLS Holding**”) holds 33,324,072 Class B Shares. LLS Holding, an exempted company with limited liability incorporated in Cayman Islands, is ultimately controlled by CITIC Capital. Accordingly, CITIC Capital is deemed to be interested in the total number of Shares held by LLS Holding.
4. Tan Linklogis Limited (“**LVC Tan**”), Le Linklogis Limited (“**LVC Le**”) and Qian Linklogis Limited (“**LVC Qian**”) hold 134,020,512, 45,825,600 and 7,682,400 Class B Shares, respectively. Each of LVC Tan, LVC Le and LVC Qian is wholly-owned by Shanghai Rongmian Information Technology Partnership (Limited Partnership) (上海融勉信息技術合夥企業(有限合夥)) (“**Shanghai Rongmian**”), a limited partnership established in the PRC whose general partner is Shanghai Loyal Valley Investment Management Co., Ltd. (上海正心谷投資管理有限公司) (“**Shanghai LVC**”). In addition, Shanghai Tanying Investment Partnership (Limited Partnership) (上海檀英投資合夥企業(有限合夥)) (“**LVC Tanying**”) is a limited partner of Shanghai Rongmian, which holds 71.46% of the interest of Shanghai Rongmian. Shanghai LVC is in turn wholly-owned by Mr. Lin Lijun (林利軍) (“**Mr. Lin**”). Accordingly, each of Shanghai Rongmian, Shanghai LVC, LVC Tanying and Mr. Lin is deemed to be interested in the total number of Shares held by LVC Tan, LVC Le and LVC Qian.
5. Loyal Valley Capital Advantage Fund LP (“**LVC LP**”) holds 28,369,560 Class B Shares. LVC LP is a limited partnership established in the Cayman Islands and ultimately controlled by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the total number of Shares held by LVC LP.
6. Ms. Gong Ruilin (“**Ms. Gong**”) is the spouse of Mr. Lin. Accordingly, Ms. Gong is deemed to be interested in the total number of Shares held by Mr. Lin.
7. Carltonvic Company Limited is a business company incorporated in the British Virgin Islands and a special purpose vehicle wholly-owned by Trident Trust Company (HK) Limited, the trustee of LLS Trust, established for the purpose of holding Shares pursuant to the 2019 Equity Incentive Plan. Accordingly, Trident Trust Company (HK) Limited is deemed to be interested in the total number of Shares held by Carltonvic Company Limited.
8. OWAP Investment Pte Ltd (“**OWAP Investment**”) is a limited liability company incorporated under the laws of Singapore. OWAP Investment is wholly-owned by GIC (Ventures) Pte. Ltd, and managed by GIC Special Investments Pte Ltd, which is in turn wholly-owned by GIC Private Limited (GIC). Accordingly, each of GIC (Ventures) Private Limited, GIC Special Investments Private Limited and GIC Private Limited is deemed to be interested in the total number of Shares held by OWAP Investment.

Save as disclosed above, as at June 30, 2022, to the best knowledge of the Directors, no person (other than the Directors and chief executive of the Company) had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

2019 Equity Incentive Plan

The 2019 Equity Incentive Plan was approved and adopted in January 24, 2019 and subsequently amended and restated on November 25, 2020. The 2019 Equity Incentive Plan commenced on November 25, 2020 and shall terminate fifteen years later, subject to earlier termination by the Committee pursuant to the 2019 Equity Incentive Plan. The 2019 Equity Incentive Plan provides for awards of options to subscribe for Shares and receive a grant of RSUs (collectively, the “Awards”). The 2019 Equity Incentive Plan is not governed by Chapter 17 of the Listing Rules and our Company had not granted further options under the 2019 Equity Incentive Plan after the Listing. The purpose of the 2019 Equity Incentive Plan is to aid our Company and our affiliates in recruiting and retaining key employees, directors or consultant of outstanding ability and to motivate such employees, directors, or consultants to exert their best efforts on behalf of our Company and our affiliates.

The total number of Class B Shares which may be issued or transferred under the 2019 Equity Incentive Plan is 174,618,156 Class B Shares. As of June 30, 2022, an aggregate of 122,565,086 RSUs in respect of 122,565,086 Shares had been granted to 393 employees (including 5 Directors and members of the senior management of our Company) of our Group pursuant to the 2019 Equity Incentive Plan, representing approximately 5.33% of the issued share capital of our Company. The table below shows the details of movements of RSUs granted to the Directors and other employees under the 2019 Equity Incentive Plan during the Reporting Period.

Name	Date of Grant	Vesting Period (subject to other conditions under the 2019 Equity Incentive Plan)	Number of Shares underlying the RSUs outstanding as at January 1, 2022	RSUs granted since January 1, 2022 and up to June 30, 2022	RSUs vested during the six months ended June 30, 2022	RSUs cancelled during the six months ended June 30, 2022	RSUs lapsed during the six months ended June 30, 2022	Number of Shares underlying the RSUs outstanding as at June 30, 2022
Directors								
Mr. Ji Kun	January 1, 2020 to December 2, 2021	4 years	7,141,200	0	978,000	0	0	6,163,200
Ms. Chau Ka King	January 1, 2020 to December 2, 2021	4 years	4,536,000	0	780,000	0	0	3,756,000
Senior management (other than Directors) and other employees								
Mr. Zhong Songran	January 1, 2020 to December 2, 2021	4 years	3,724,200	0	603,000	0	0	3,121,200
Mr. Li Xiaogang	October 1, 2020 to December 2, 2021	4 years	1,177,200	0	0	0	0	1,177,200
Mr. Zhao Yu	May 5, 2019	4 years	7,500,000	0	3,750,000	0	0	3,750,000
388 other employees of our Group	January 24, 2019 to April 26, 2022	4 years	70,554,584	4,245,810	19,670,872	972,360	0	54,157,162

Further details of the 2019 Equity Incentive Plan are set out in the Prospectus.

OTHER INFORMATION

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

During the Reporting Period, the Company repurchased a total of 1,991,500 Class B Shares (the "Shares Repurchased") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK\$13,364,760. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Class B Shares Repurchased	Price paid per Class B Share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
2022				
January	424,500	7.18	6.95	2,993,500
April	868,000	7.06	6.67	5,976,255
May	699,000	6.56	6.05	4,395,005
Total	1,991,500			13,364,760

As of June 30, 2022, the number of Class B Shares in issue was reduced by 33,570,500 shares since the Listing Date as a result of the cancellation of the Shares Repurchased. Upon cancellation of the Shares Repurchased, Mr. Song, being the WVR Beneficiary, simultaneously reduced his WVR in the Company proportionately by way of converting his Class A Shares into Class B Shares on a one-to-one ratio pursuant to 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 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 Reporting Period. After the end of the Reporting Period and up to the Latest Practicable Date, the Company repurchased a total of 2,634,000 Class B Shares for an aggregate consideration of approximately HK\$13,887,180.

Material litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are not aware of any material litigation or claims that are pending against the Group during the Reporting Period.

OTHER INFORMATION

Use of proceeds from the Global Offering

On April 9, 2021, the Class B Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering were approximately HK\$8,967.0 million (equivalent to RMB7,509.7 million). As at June 30, 2022, the Group had utilized the net proceeds as set out in the table below:

	Net proceeds from the Global Offering	Unutilized as at January 1, 2022	Utilization during the six months ended June 30, 2022	Unutilized amount as at June 30, 2022	Expected timeline for full utilization
<i>(RMB in million)</i>					
Enhance core technology capabilities and fundamental research and development	2,628.4	1,574.5	152.2	1,422.3	by December 31, 2026
Expand cross-border operations	1,501.9	1,000.2	364.7	635.5	by December 31, 2026
Enhance capabilities with respect to sales and marketing, business development and brand building	1,126.5	951.6	90.7	860.9	by December 31, 2026
Future strategic investment and acquisition opportunities	1,501.9	1,355.2	121.1	1,234.1	by December 31, 2026
Working capital and other general corporate purposes	751.0	–	–	–	
Total	7,509.7	4,881.5	728.7	4,152.8	

The utilized proceeds as described above were utilized in accordance with the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The remaining balance of the net proceeds of approximately HK\$4,855.9 million (equivalent to RMB4,152.8 million) was placed with banks as of June 30, 2022. The Group will gradually apply the remaining balance in the manner set out in the Prospectus depending on actual business needs and intends to fully utilize the proceeds by December 31, 2026.

OTHER INFORMATION

Dividend

The Board resolved not to declare any payment of interim dividend for the six months ended June 30, 2022.

Change in Director during the Reporting Period

Mr. Zhao Yongsheng resigned as a non-executive Director due to the need to devote more time to his other commitments with effect from March 29, 2022.

Changes in information of Directors and Chief Executive

The changes in the information of Directors and chief executive of the Company since the publication of the 2021 annual report up to the Latest Practicable Date as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

Mr. Tan Huay Lim, an independent non-executive Director of the Company, ceased to act as an independent non-executive director of Zheneng Jinjiang Environment Holding Company Limited on April 25, 2022 and ceased to act as a director of Green Link Digital Bank Pte. Ltd. on June 1, 2022.

Save as disclosed above, there have been no other changes in the information of Directors and chief executive of the Company since the publication of the 2021 annual report up to the Latest Practicable Date as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENT REVIEW REPORT



REVIEW REPORT TO THE BOARD OF DIRECTORS OF LINKLOGIS INC.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 41 to 84 which comprises the consolidated statement of financial position of Linklogis Inc. (the “Company”) and its subsidiaries (collectively the “Group”) as of 30 June 2022 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

25 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

(Expressed in RMB'000)

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue and income from principal activities	3	510,468	526,572
Cost of principal activities	3	(86,435)	(119,688)
Gross profit		424,033	406,884
Research and development expenses		(160,151)	(120,112)
Sales and marketing expenses		(72,152)	(57,956)
Administrative expenses		(112,325)	(100,013)
Impairment loss	4(c)	(22,673)	(16,952)
Other net income	5	34,082	45,891
Profit from operation		90,814	157,742
Finance costs	4(a)	(18,108)	(75,495)
Share of (loss)/profit of equity accounted investees		(19,410)	7,203
Fair value changes of financial liabilities measured at fair value through profit or loss	25(a)	–	(13,085,985)
Profit/(loss) before taxation		53,296	(12,996,535)
Income tax expense	6	(18,101)	(36,407)
Profit/(loss) for the period		35,195	(13,032,942)
Earnings per share (RMB per share)	7		
Basic		0.02	(11.06)
Diluted		0.02	(11.06)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Attributable to:			
Equity shareholders of the Company		43,046	(13,033,313)
Non-controlling interests		(7,851)	371
Profit/(loss) for the period		35,195	(13,032,942)
Other comprehensive income/(loss) for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		(489)	(1,704)
Exchange differences on translation of financial statements of operations outside the mainland China		74,292	(140,600)
Total comprehensive income/(loss) for the period		108,998	(13,175,246)
Attributable to:			
Equity shareholders of the Company		117,039	(13,175,617)
Non-controlling interests		(8,041)	371
Total comprehensive income/(loss) for the period		108,998	(13,175,246)

The accompanying notes on pages 47 to 84 form part of the unaudited interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

(Expressed in RMB'000)

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		24,997	28,143
Right-of-use assets	8	54,701	64,273
Intangible assets	9	245,771	198,088
Equity accounted investees		283,817	230,145
Financial assets at fair value through profit or loss	11	55,000	2,000
Prepayments, other receivables and other assets	14	6,022	6,484
Deferred tax assets	20	63,960	59,495
		<hr/>	<hr/>
Total non-current assets		734,268	588,628
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Financial assets at fair value through other comprehensive income	10	953,878	1,904,307
Financial assets at fair value through profit or loss	11	3,529,954	2,218,815
Trade receivables	12	284,599	254,075
Financial assets at amortised cost	13	1,079,437	479,790
Prepayments, other receivables and other assets	14	1,679,412	767,295
Restricted cash	15	712,361	667,470
Cash and cash equivalents	16	5,285,402	4,927,885
		<hr/>	<hr/>
Total current assets		13,525,043	11,219,637
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	17	70,923	78,110
Contract liabilities		4,163	7,251
Borrowings	18	1,753,737	1,177,078
Income tax payables	20	47,058	60,058
Lease liabilities	8	18,362	18,476
Other payables, accruals and other liabilities	19	2,396,747	681,390
Provisions	21	3,277	2,233
		<hr/>	<hr/>
Total current liabilities		4,294,267	2,024,596
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Net current assets		9,230,776	9,195,041
Total assets less current liabilities		9,965,044	9,783,669
Non-current liabilities			
Borrowings	18	13,223	13,214
Lease liabilities	8	39,251	48,063
Other payables, accruals and other liabilities	19	256	285
Total non-current liabilities		52,730	61,562
Net assets		9,912,314	9,722,107
Equity			
Share capital	22	126	126
Reserves	22	9,912,700	9,714,452
Total equity attributable to equity shareholders of the Company		9,912,826	9,714,578
Non-controlling interests		(512)	7,529
Total equity		9,912,314	9,722,107

Approved and authorised for issue by the board of directors on 25 August 2022.

Director

Director

The accompanying notes on pages 47 to 84 form part of the unaudited interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

(Expressed in RMB'000)

Note	Attributable to equity shareholders of the Company										
	Share capital	Treasury share reserve	Share premium	Capital reserve	General reserve	Foreign exchange reserve	Accumulated profits	Other reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	22(a)	22(b)(v)	22(b)(i)	22(b)(ii)	22(b)(iii)	22(b)(iv)					
Balance at 1 January 2022	126	(9)	9,504,128	217,188	45,128	(210,767)	158,260	524	9,714,578	7,529	9,722,107
Profit/(loss) for the period	-	-	-	-	-	-	43,046	-	43,046	(7,851)	35,195
Other comprehensive income/(loss) for the period	-	-	-	-	-	74,482	-	(489)	73,993	(190)	73,803
Total comprehensive income/(loss) for the period	-	-	-	-	-	74,482	43,046	(489)	117,039	(8,041)	108,998
Share-based compensation	-	-	-	92,756	-	-	-	-	92,756	-	92,756
Appropriation to general reserve	-	-	-	-	23,954	-	(23,954)	-	-	-	-
Repurchase of shares	-	-	(11,547)	-	-	-	-	-	(11,547)	-	(11,547)
Balance at 30 June 2022 (Unaudited)	126	(9)	9,492,581	309,944	69,082	(136,285)	177,352	35	9,912,826	(512)	9,912,314

Note	Attributable to equity shareholders of the Company										
	Share capital	Treasury share reserve	Share premium	Capital reserve	General reserve	Foreign exchange reserve	Accumulated loss	Other reserve	Total	Non-controlling interests	Total (deficits)/equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	22(b)(v)		22(b)(ii)	22(b)(iii)	22(b)(iv)						
Balance at 1 January 2021	30	(9)	-	45,878	34,131	(39,540)	(3,370,391)	-	(3,329,901)	6,412	(3,323,489)
(Loss)/profit for the period	-	-	-	-	-	-	(13,033,313)	-	(13,033,313)	371	(13,032,942)
Other comprehensive loss for the period	-	-	-	-	-	(140,600)	-	(1,704)	(142,304)	-	(142,304)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(140,600)	(13,033,313)	(1,704)	(13,175,617)	371	(13,175,246)
Insurance of new shares	29	-	7,509,635	-	-	-	-	-	7,509,664	-	7,509,664
Conversion upon listing	69	-	-	18,726,643	-	-	-	-	18,726,712	-	18,726,712
Settlement of restricted share units	-	-	32,894	(8,571)	-	-	-	-	24,323	-	24,323
Share-based compensation	-	-	-	84,989	-	-	-	-	84,989	-	84,989
Appropriation to general reserve	-	-	-	-	12,789	-	(12,789)	-	-	-	-
Balance at 30 June 2021 (Unaudited)	128	(9)	7,542,529	18,848,939	46,920	(180,140)	(16,416,493)	(1,704)	9,840,170	6,783	9,846,953

The accompanying notes on pages 47 to 84 form part of the unaudited interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 – unaudited

(Expressed in RMB'000)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Operating activities		
Cash generated from/(used in) operations	129,180	(1,635,654)
Income tax paid	(35,577)	(25,758)
Net cash generated from/(used in) operating activities	93,603	(1,661,412)
Investing activities		
Proceeds from sales of financial investment and interest income of bank deposits	24,184	7,397
Purchase of financial investments at fair value through profit and loss	(53,000)	(32,303)
Purchase of property, plant and equipment, intangible assets and other non-current assets	(82,497)	(59,722)
Investment in equity accounted investees	(68,131)	–
Net cash used in investing activities	(179,444)	(84,628)
Financing activities		
Increase in restricted cash	(93,970)	(729,501)
Payment for repurchase of shares	(11,547)	–
Net proceeds from issuance of ordinary shares	–	7,509,664
Net proceeds from settlement of restricted share units	–	24,323
Net proceeds/(repayments) of bank and other financial institution borrowings	576,659	(1,167,090)
Interest paid	(16,562)	(73,312)
Capital element of lease rental paid	(9,418)	(6,859)
Interest element of lease rental paid	(1,537)	(1,518)
Net cash generated from financing activities	443,625	5,555,707
Net increase in cash and cash equivalents	357,784	3,809,667
Cash and cash equivalents at the beginning of the period	4,927,885	587,337
Effects of exchange rate changes on cash and cash equivalents	(267)	35,969
Cash and cash equivalents at the end of the period	5,285,402	4,432,973

The accompanying notes on pages 47 to 84 form part of the unaudited interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000 unless otherwise indicated)

1 BASIS OF PREPARATION AND GENERAL INFORMATION

Linklogis Inc. (the “Company”, formerly known as Linklogis Financial Holdings Inc.) was incorporated in Cayman Islands on 13 March 2018 as an exempted company with limited liability under the Companies Act (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in providing supply chain finance technology solutions and innovative data-driven emerging solutions in the People’s Republic of China (the “PRC”) and overseas countries and regions.

The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 9 April, 2021 (the “Listing”).

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 34, *Interim financial reporting* (“IAS 34”), issued by the International Accounting Standards Board (“IASB”).

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 2.

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.

This 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”).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

2 CHANGE IN ACCOUNTING POLICIES

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

- Amendments to IAS 16, *Property, plant and equipment: proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these interim financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING

(a) Revenue and income

The principal activities of the Group are providing supply chain finance technology solutions and innovative data-driven emerging solutions.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue and income from		
Supply Chain Finance Technology Solutions		
– Anchor Cloud	291,572	265,559
– FI Cloud	189,535	227,995
	481,107	493,554
Emerging Solutions		
– Cross-border Cloud	16,820	9,171
– SME Credit Tech Solutions	12,541	23,847
	29,361	33,018
	510,468	526,572

Recognition of timing

Out of the Group's revenue from contracts with customers, RMB60,092,000 and RMB13,559,000 were recognised over time during the six months ended 30 June 2022 and 2021, respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by service lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the reportable segments of the Group.

The Group is a technology solution provider for supply chain finance in China and overseas countries and regions. Its cloud-native solutions optimize the payment cycle of supply chain transactions and digitalize the entire workflow of supply chain finance. The Group's technology solutions enable participants in the supply chain ecosystem, including anchor enterprise, financial institutions and SMEs, to effectively optimize working capital, authenticate supply chain transactions, cooperate with other participants, manage operational risks and achieve integrated supply chain management. One of the Group's key strategy is to expand the scope of solution offerings with continuous optimization. It has been launching new products under each business segment to serve broader use cases and target customer Groups in the supply chain ecosystem.

– **Anchor Cloud**

Anchor Cloud is a combination of cloud-native solutions designed to enable anchor enterprises and its suppliers to achieve digital transformation for supply chain management and optimize payment cycle for parties along the supply chain, including AMS Cloud and Multi-tier Transfer Cloud. It allows anchor enterprises to optimize their cash flows, help their suppliers to obtain liquidity, improve transparency across the entire supply chain and enhance their supply chain management. Solutions under Anchor Cloud aim to serve broader use cases and participants in the supply chain financing, including accounts receivable securitization and commercial bills based financing, as well as digital supply chain management service for anchor enterprises and its suppliers.

– **FI Cloud**

FI Cloud provides a broad range of innovative solutions designed to help financial institutions to digitalize, automate and streamline their supply chain financing services, primarily consisting of ABS Cloud and eChain Cloud. Solutions under FI Cloud helps financial institutions participating in supply chain securitization offerings and commercial bills based financing, and provide securities firms, banks, trust companies, factoring companies and other financial institutions seeking to enhance their supply chain finance capabilities with a variety of customized and integrated technology solutions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

– **Cross-border Cloud**

Cross-border Cloud provides a suite of intelligent solutions that help corporates and financial institutions engaging in cross-border trade activities. The solutions facilitate cross-border supply chain financing and provide trade digitalization services for anchor enterprises and SMEs.

– **SME Credit Tech Solutions**

SME Credit Tech Solutions are comprised of an array of data-driven risk analytics solutions that help financial institutions to provide financing for anchor enterprises' SME suppliers and distributors based on the SMEs' credit profiles, as well as information and data in the supply chain ecosystem, in a secure and efficient manner.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and income and related costs are allocated to the reportable segments with reference to revenue and income generated by those segments and the costs of principal activities incurred by those segments. The measure used for reporting segment result is gross profit. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's segment expenses, such as staff costs, depreciation and other operating expenses, and segment assets and liabilities are not regularly provided to the Group's most senior executive management. In addition, the other operating expenses are not included in the measure of segment results. As such, these information are not disclosed in the unaudited interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

	Supply Chain Finance Technology Solutions			Emerging Solutions			Total RMB'000
	Anchor Cloud RMB'000	FI Cloud RMB'000	Subtotal RMB'000	Cross- border Cloud RMB'000	SME Credit Tech Solutions RMB'000	Subtotal RMB'000	
For the six months ended							
30 June 2022							
Revenue and income	291,572	189,535	481,107	16,820	12,541	29,361	510,468
Costs	(53,592)	(30,837)	(84,429)	(2,006)	-	(2,006)	(86,435)
Gross profit	<u>237,980</u>	<u>158,698</u>	<u>396,678</u>	<u>14,814</u>	<u>12,541</u>	<u>27,355</u>	<u>424,033</u>
For the six months ended							
30 June 2021							
Revenue and income	265,559	227,995	493,554	9,171	23,847	33,018	526,572
Costs	(93,549)	(24,733)	(118,282)	(624)	(782)	(1,406)	(119,688)
Gross profit	<u>172,010</u>	<u>203,262</u>	<u>375,272</u>	<u>8,547</u>	<u>23,065</u>	<u>31,612</u>	<u>406,884</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

4 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest expenses on		
– bank and other financial institution borrowings	16,562	73,977
– related parties' borrowings (note 24(c))	9	–
– lease liabilities (note 8(ii))	1,537	1,518
	18,108	75,495

(b) Staff costs

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	136,372	96,487
Contributions to defined contribution scheme (note)	15,055	8,824
Share-based compensation	92,756	84,989
	244,183	190,300
Included in:		
– Research and development expenses	114,111	93,016
– Sales and marketing expenses	54,722	40,666
– Administrative expenses	75,350	56,618

Staff costs of RMB69,595,000 and RMB45,667,000 were capitalised in intangible assets for the six months ended 30 June 2022 and 2021 respectively, which amounts are not included in the total amounts disclosed above.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

4 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

Note: Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation and amortisation charges		
– amortisation of intangible assets	31,238	16,556
– depreciation of right-of-use assets	10,064	9,524
– depreciation of property, plant and equipment	6,714	3,870
	48,016	29,950
Impairment loss		
– financial assets at amortised costs	15,588	15,100
– financial assets at fair value through other comprehensive income	5,640	–
– trade and other receivables	401	(324)
– provisions	1,044	2,176
	22,673	16,952
Professional service fees	11,358	9,563
Auditors' remuneration	1,475	1,698
Listing related expenses	–	14,247

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

5 OTHER NET INCOME

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest income from bank deposits	29,031	7,182
Investment gains from financial investments at fair value through profit or loss	2,604	215
Government grants	2,578	2,508
Foreign exchange (losses)/gains	(267)	35,969
Others	136	17
	34,082	45,891

6 INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands during the reporting period.

Since 1 April 2018, the legal entities operating in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profit over HK\$2,000,000. Hong Kong has an anti-fragmentation measure under which a corporate Group must nominate only one company in the Group to benefit from the progressive tax rates. The Group had chosen one of its subsidiaries to apply such progressive tax rate. Except for the chosen subsidiary, other subsidiaries of the Group operating in Hong Kong are subject to income tax rate at a rate of 16.5% on assessable profits.

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to income tax at a rate of 25% on the taxable income, except for:

- (i) One of the subsidiaries of the Group was recognised as high and new technology enterprises in the year ended 31 December 2019 and, accordingly, was entitled to a preferential income tax rate of 15% for the six months ended 30 June 2022 and 2021.
- (ii) Two of the subsidiaries of the Group were recognised as supply chain finance solution companies operating in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in the periods ended 30 June 2022 and, accordingly, were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

6 INCOME TAX EXPENSE (CONTINUED)

- (iii) One of the subsidiaries of the Group was recognised as small low-profit enterprise since 2019 and, accordingly, was entitled to a tax relief policy. The portion of annual taxable income amount of a small low-profit enterprise not exceeding RMB1 million, shall be computed at a reduced rate of 12.5% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. The portion of annual taxable income exceeding RMB3 million, shall be computed 100% as taxable income amount and subject to enterprise income tax at 25% tax rate.

Taxation for subsidiaries in other countries and regions is charged at the rates applicable to the jurisdictions concerned.

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
PRC corporate income tax	22,577	30,264
Hong Kong profits tax	–	1,562
	22,577	31,826
Deferred tax		
Origination and reversal of temporary differences	(4,476)	4,581
Total	18,101	36,407

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the period is calculated by dividing the profit/(loss) for the period attributable to the equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Six months ended 30 June	
	2022	2021
Profit/(loss) attributable to equity shareholders of the Company (RMB'000)	43,046	(13,033,313)
Weighted average number of ordinary shares issued to equity shareholders of the Company for calculation of the basic earnings per share	2,136,268,824	1,178,663,332
Basic earnings per share (RMB per share)	0.02	(11.06)

Diluted earnings per share for the period is calculated basing on basic profit/(loss) per share by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share awards granted by the Company into ordinary shares during the period.

	Six months ended 30 June 2022
Profit attributable to equity shareholders of the Company for calculation of the diluted earnings per share (RMB'000)	43,046
Weighted average number of ordinary shares issued to equity shareholders of the Company for calculation of the basic earnings per share	2,136,268,824
Adjustments for awarded shares	113,470,562
Weighted average number of ordinary shares issued to equity shareholders of the Company for calculation of the diluted earnings per share	2,249,739,386
Diluted earnings per share attributable to equity shareholders of the Company (RMB per share)	0.02

For the six months ended 30 June 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 this period were the same as basic loss per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8 LEASES

(i) Amounts recognised in the consolidated statements of financial position

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Right-of-use assets		
Non-current	54,701	64,273
Lease liabilities		
Current	18,362	18,476
Non-current	39,251	48,063
	57,613	66,539

The Group has obtained the right to use certain office buildings through tenancy agreements. The leases typically run for an initial period of 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments. The analysis of the net book value of right-of-use assets is presented below:

	Office buildings RMB'000
As at 1 January 2022	64,273
Addition	492
Charge for the period	(10,064)
As at 30 June 2022	54,701
As at 1 January 2021	49,528
Addition	36,042
Charge for the year	(21,297)
As at 31 December 2021	64,273

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8 LEASES (CONTINUED)

(i) Amounts recognised in the consolidated statements of financial position (continued)

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

	As at 30 June 2022		As at 31 December 2021	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Less than 1 year	18,362	20,808	18,476	21,325
After 1 year but within 2 years	17,624	19,457	18,079	20,044
After 2 years but within 5 years	21,627	22,416	29,984	31,733
Subtotal	<u>57,613</u>	<u>62,681</u>	<u>66,539</u>	<u>73,102</u>
Total future interest expenses		<u>(5,068)</u>		<u>(6,563)</u>
Present value of lease liabilities		<u>57,613</u>		<u>66,539</u>

(ii) The analysis of expense items in relation to leases recognised in profit or loss

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets	10,064	9,524
Interest expense on lease liabilities (note 4(a))	1,537	1,518
Expense relating to short-term leases	136	–
	<u>11,737</u>	<u>11,042</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9 INTANGIBLE ASSETS

	Self-developed platforms and software <i>RMB'000</i>
<hr/>	
Cost:	
As at 1 January 2022	284,404
Additions	<u>78,921</u>
As at 30 June 2022	----- 363,325
Accumulated amortisation:	
As at 1 January 2022	(86,316)
Charge for the period	<u>(31,238)</u>
As at 30 June 2022	----- <u>(117,554)</u>
Net book value:	
As at 30 June 2022	<u><u>245,771</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9 INTANGIBLE ASSETS (CONTINUED)

Self-developed
platforms and
software
RMB'000

Cost:

As at 1 January 2021	147,467
Additions	136,937

As at 31 December 2021	284,404
------------------------	---------

Accumulated amortisation:

As at 1 January 2021	(41,233)
Charge for the year	(45,083)

As at 31 December 2021	(86,316)
------------------------	----------

Net book value:

As at 31 December 2021	198,088
------------------------	---------

There were no intangible assets which were not yet available for use as at 30 June 2022 and 31 December 2021.

No impairment losses on intangible assets were recognised during the six months ended 30 June 2022 and 2021.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income of the Group are supply chain assets that the Group held within a business model whose objective is achieved by both collecting contractual cash flows and selling as part of warehousing process.

(a) The movements of the financial assets at fair value through other comprehensive income

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
At the beginning of the period/year	1,904,307	–
(Decrease)/increase	(944,136)	1,913,724
Impairment allowance	(5,640)	(10,116)
Changes in fair value	(653)	699
At the end of the period/year	<u>953,878</u>	<u>1,904,307</u>

(b) The movements of loss allowance of the financial assets at fair value through other comprehensive income

	As at 30 June 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January	185	9,931	–	10,116
Charge/(release) for the period	7,925	(2,285)	–	5,640
As at 30 June	<u>8,110</u>	<u>7,646</u>	–	<u>15,756</u>
	As at 31 December 2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January	–	–	–	–
Charge for the year	185	9,931	–	10,116
As at 31 December	<u>185</u>	<u>9,931</u>	–	<u>10,116</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Note</i>	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current			
Unlisted equity investments	<i>(i)</i>	55,000	2,000
Current			
Supply chain assets held for sale	<i>(ii)</i>	3,346,195	1,826,327
Asset-backed securities	<i>(iii)</i>	75,256	291,385
Others	<i>(iv)</i>	108,503	101,103
		3,529,954	2,218,815

- (i) The unlisted equity investments represented the Group's equity interests in companies over which the Group has no significant influence.
- (ii) The balance as at 30 June 2022 comprised (1) the supply chain assets held for sale in the FI Cloud of RMB3,192,266,000 (31 December 2021: RMB1,780,402,000); and (2) the supply chain assets held for sale in the Cross-border Cloud of USD22,936,000 (equivalent to approximately RMB153,929,000) (31 December 2021: USD7,203,000, equivalent to approximately RMB45,925,000).
- (iii) The balance as at 30 June 2022 comprised (1) senior tranches of asset-back securities of nil (31 December 2021: RMB218,965,000); and (2) junior tranches of asset-back securities of RMB75,256,000 (31 December 2021: RMB72,420,000).
- (iv) The balance as at 30 June 2022 mainly included the carrying amount of the Group's investment in a segregated portfolio managed by Go Asset Management Limited ("Go Asset"), which amounted to USD16,121,000 (equivalent to approximately RMB108,195,000) (31 December 2021: USD15,810,000, equivalent to approximately RMB100,800,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

12 TRADE RECEIVABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Service fee receivables	285,810	255,025
Impairment allowance	(1,211)	(950)
	284,599	254,075

As at the end of each reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of loss allowance, is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Within 3 months (inclusive)	123,928	110,092
3 months to 6 months (inclusive)	47,936	45,526
6 months to 1 year (inclusive)	87,968	87,388
Over 1 year	25,978	12,019
Impairment allowance	(1,211)	(950)
Trade receivables, net	284,599	254,075

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

13 FINANCIAL ASSETS AT AMORTISED COST

(a) Analysed by nature

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Gross amount of financial assets at amortised cost		
Supply chain assets from		
– Anchor Cloud	876,363	216,351
– Cross-border Cloud	85,365	17,677
– SME Credit Tech Solutions	162,069	274,531
	<u>1,123,797</u>	<u>508,559</u>
Gross amount of financial assets at amortised cost	1,123,797	508,559
Impairment allowance		
Supply chain assets from		
– Anchor Cloud	(281)	(26)
– Cross-border Cloud	(425)	(75)
– SME Credit Tech Solutions	(43,654)	(28,668)
	<u>(44,360)</u>	<u>(28,769)</u>
Impairment allowance	(44,360)	(28,769)
Carrying amount of financial assets at amortised cost	1,079,437	479,790

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

13 FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

(b) Summarised by stages and allowance for impairment losses

	As at 30 June 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Supply chain assets				
Gross amount				
– Anchor Cloud	876,363	–	–	876,363
– Cross-border Cloud	85,365	–	–	85,365
– SME Credit Tech Solutions	107,497	2,529	52,043	162,069
Impairment allowance				
– Anchor Cloud	(281)	–	–	(281)
– Cross-border Cloud	(425)	–	–	(425)
– SME Credit Tech Solutions	(2,806)	(1,816)	(39,032)	(43,654)
Carrying amount	1,065,713	713	13,011	1,079,437
	As at 31 December 2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Supply chain assets				
Gross amount				
– Anchor Cloud	216,351	–	–	216,351
– Cross-border Cloud	17,677	–	–	17,677
– SME Credit Tech Solutions	237,941	9,316	27,274	274,531
Impairment allowance				
– Anchor Cloud	(26)	–	–	(26)
– Cross-border Cloud	(75)	–	–	(75)
– SME Credit Tech Solutions	(3,657)	(4,555)	(20,456)	(28,668)
Carrying amount	468,211	4,761	6,818	479,790

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

13 FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

(c) Summarised by overdue days

	As at 30 June 2022			
	Overdue by 1 to 90 days (inclusive) <i>RMB'000</i>	Overdue by 90 days to 1 year (inclusive) <i>RMB'000</i>	Overdue by 1 year to 2 years (inclusive) <i>RMB'000</i>	Total <i>RMB'000</i>
Supply chain assets				
– SME Credit Tech Solutions	3,106	31,223	20,820	55,149
	As at 31 December 2021			
	Overdue by 1 to 90 days (inclusive) <i>RMB'000</i>	Overdue by 90 days to 1 year (inclusive) <i>RMB'000</i>	Overdue by 1 year to 2 years (inclusive) <i>RMB'000</i>	Total <i>RMB'000</i>
Supply chain assets				
– SME Credit Tech Solutions	11,921	23,395	3,879	39,195

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

13 FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

(d) The movements of loss allowance of financial assets at amortised cost

	As at 30 June 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January	3,758	4,555	20,456	28,769
Transfer to lifetime ECL credit-impaired	(10,030)	(5,364)	15,394	–
Charge for the period	9,781	2,625	3,182	15,588
Exchange differences	3	–	–	3
As at 30 June	3,512	1,816	39,032	44,360

	As at 31 December 2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January	7,337	2,826	8,009	18,172
Transfer to lifetime ECL credit-impaired	(977)	(292)	1,269	–
(Release)/charge for the year	(2,568)	2,021	41,244	40,697
Recoveries of amounts previously written off	–	–	862	862
Exchange differences	(34)	–	–	(34)
Write-offs	–	–	(30,928)	(30,928)
As at 31 December	3,758	4,555	20,456	28,769

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

14 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Note</i>	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current			
Long-term deferred expenses		6,022	6,484
Current			
Receivables from anchor enterprises	<i>(i)</i>	1,479,657	582,341
Continuing involvement in transferred supply chain assets	<i>19</i>	40,300	39,000
Loan to a non-controlling shareholder of an associate	<i>(ii)</i>	30,000	30,000
Input value-added-tax to be certified		27,626	27,876
Prepaid expenses for supply chain financing		22,236	26,103
Deposits associated with FI Cloud and SME Credit Tech Solutions		4,000	4,000
Prepaid software and service expense		822	6,783
Others		75,292	51,573
Impairment allowance		(521)	(381)
Total		1,679,412	767,295

(i) Receivables from anchor enterprises mainly arise in the securitisation transactions enabled by Supply Chain Finance Technology Solutions and represent mostly the suppliers' accounts receivables due from anchor enterprises acquired pursuant to contracts between the Group and the anchor enterprises.

(ii) In 2019, the Group granted a loan amounting to RMB30,000,000 to Hong Kong Han Tou Jin Chuang Investment Management Limited ("Han Tou"), one of the non-controlling shareholders of an associate of the Group. The loan will mature in three years with annual interest rate of 2%, and was pledged by 5.882% of this associate's shares held by Han Tou. As at 30 June 2022, the loan will mature within one year and reclassified as current asset accordingly.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

15 RESTRICTED CASH

	<i>Note</i>	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Pledged deposits	<i>(i)</i>	604,026	510,056
Escrow accounts and segregated trust accounts	<i>(ii)</i>	107,567	156,645
Others		768	769
Total		712,361	667,470

(i) The balance represented bank deposits pledged for bank borrowings (note 18).

(ii) The bank balances with escrow accounts and segregated trust accounts can only be used in specified activities as stipulated in the agreements with counterparties and trust agreements.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Cash at bank	5,254,101	4,909,028
Cash at other financial institutions	31,301	18,857
	5,285,402	4,927,885

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

17 TRADE PAYABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Expenses payable for issuance of assets-backed securities	68,924	76,966
Others	1,999	1,144
	70,923	78,110

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

An ageing analysis of the trade payables based on the invoice date as at the end of each reporting period is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Within 3 months (inclusive)	17,447	50,965
Over 3 months	53,476	27,145
	70,923	78,110

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

18 BORROWINGS

	Note	As at 30 June 2022		As at 31 December 2021	
		Effective interest rate	RMB'000	Effective interest rate	RMB'000
Non-current					
Related parties borrowings					
– Unsecured and unguaranteed		0.18%	13,223	0.56%	13,214
Current					
Bank and other financial institution borrowings					
– Unsecured and unguaranteed		3.45%-10.00%	1,208,207	4.00% – 4.95%	716,618
– Pledged and unguaranteed	(i)	3.50%	545,530	3.60%	460,460
			1,753,737		1,177,078

As at the end of each reporting period, borrowings were repayable as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Within 1 year and included in current liabilities	1,753,737	1,177,078
After 1 year and included in non-current liabilities		
– More than 5 years	13,223	13,214
	1,766,960	1,190,292

(i) As at 30 June 2022, the pledged and unguaranteed borrowing of the Group were pledged by bank deposits of RMB604,026,000 (31 December 2021: RMB510,056,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

19 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
	<i>Note</i>	
Non-current		
Deferred income from government grant	256	285
Current		
Payables arising from supply chain financing transactions	(i) 2,258,089	506,726
Continuing involvement in transferred supply chain assets	14 40,300	39,000
Accrued payroll and other benefits	39,239	62,641
Tax and levies	17,495	18,655
Accrued listing related expenses	—	12,264
Others	41,624	42,104
	2,396,747	681,390

- (i) Payables arising from supply chain financing transactions enabled by the Group's Supply Chain Finance Technology Solutions primarily arises in circumstances where the anchor enterprises and other entities paid for acquisition of the underlying assets from the suppliers.

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Balance of income tax provision relating to prior years	60,058	33,866
Provision for income tax expense for the period/year	22,577	73,891
Provisional income tax expense paid	(35,577)	(47,699)
	(13,000)	26,192
Balance of income tax provision relating to relative period/year	47,058	60,058

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the reporting periods as indicated are as follows:

Deferred tax arising from:	Loss	Changes in fair value of financial instruments	Tax losses	Accrued expenses	Amortisation charge of intangible assets	Depreciation charge of right-of-use assets	Total
	allowance	of financial instruments					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	30,082	(7,532)	11,963	14,887	6,252	3,843	59,495
Credited/(charged) to profit or loss and other comprehensive income	3,982	(3,481)	9,202	(7,670)	2,324	108	4,465
As at 30 June 2022	<u>34,064</u>	<u>(11,013)</u>	<u>21,165</u>	<u>7,217</u>	<u>8,576</u>	<u>3,951</u>	<u>63,960</u>
As at 1 January 2021	22,204	(10,381)	2,501	40,036	2,810	3,661	60,831
Credited/(charged) to profit or loss and other comprehensive income	7,878	2,849	9,462	(25,149)	3,442	182	(1,336)
As at 31 December 2021	<u>30,082</u>	<u>(7,532)</u>	<u>11,963</u>	<u>14,887</u>	<u>6,252</u>	<u>3,843</u>	<u>59,495</u>

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits of these certain subsidiaries will be available against which unused tax losses can be utilised. Based on management's assessment, the Group did not recognise deferred income tax assets of RMB7,327,000 and RMB6,527,000 in respect of losses amounting to RMB34,106,000 and RMB30,134,000 that can be carried forward against future taxable income as of 30 June 2022 and 31 December 2021, respectively.

21 PROVISIONS

In connection with the Group's solutions, the Group enters into various types of arrangements with financial institutions that protect them against losses on the financing they extend to SMEs. These arrangements include the Group's undertaking to acquire the right as the financiers from the financial institutions in the event of a default or late payment by the SMEs. As at 30 June 2022, the maximum exposure to such transactions was RMB1,037 million (31 December 2021: RMB980 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Ordinary shares	126	126

(b) Nature and purpose of reserves

(i) Share premium

During the six months ended 30 June 2022, the Company has repurchased 1,991,500 issued shares which resulted in a decrease of RMB11,547,000 of share premium.

(ii) Capital reserve

During the six months ended 30 June 2022, approximately RMB92,756,000 (six months ended 30 June 2021: RMB84,989,000) of capital reserve arises from the amortisation of fair value of un-vested restricted share units ("RSUs") which the Company granted to certain employees and directors.

(iii) General reserve

Pursuant to the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening Supervision and Administration of Commercial Factoring Enterprises which was promulgated in October 2019, factoring companies should accrue a general reserve not less than 1% of the closing balance of the supply chain assets.

According to the PRC Company Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting standards, to statutory reserve until the reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to the statutory reserve must be made before distribution of dividend to shareholders.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Nature and purpose of reserves (continued)

(iii) General reserve (continued)

The statutory reserve can be converted to offset accumulated loss, if any, or converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such conversion is not less than 25% of the registered capital.

As at 30 June 2022, general reserve amounted to RMB69,082,000 (30 June 2021: RMB46,920,000) was accordingly provided.

(iv) Foreign exchange reserve

The foreign exchange reserve represents foreign exchange differences arising from the translation of financial statements of foreign operations.

(v) Treasury share reserve

The treasury share reserve represents the par value of 168,887,632 shares of class B ordinary shares (31 December 2021: 168,887,632 shares of class B ordinary shares) for the share-based compensation held by a special purpose vehicle which is an entity controlled by the Company and par value of nil shares of class B ordinary shares (31 December 2021: 3,364,000 shares of class B ordinary shares) repurchased by the Company.

(c) Dividends

No dividends have been paid or declared by the Company for the six months ended 30 June 2022 and 2021.

23 SHARE-BASED COMPENSATION

With the purpose of attracting, motivating, retaining and rewarding certain employees and directors, for the six months ended 30 June 2022, total of 4,245,810 shares of RSUs were granted to eligible participants with an exercise price of HKD3.25 per share in several batches pursuant to the equity incentive plan of the Company. The RSUs of each batch granted are vested over a four-year period equally, on condition that employees achieved either service conditions without any performance requirements or both service conditions and certain performance target. The expiration date for subscription of the RSUs is 10 years from the grant date. The RSUs may be settled, to the extent then vested, at the election of the grantees prior to the expiration date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

23 SHARE-BASED COMPENSATION (CONTINUED)

Set out below are the movements in the number of equity instruments under the equity incentive plan:

	As at 30 June 2022	As at 31 December 2021
At the beginning of the period/year	110,197,112	75,484,296
Exercised	–	(9,094,524)
Granted	4,245,810	56,691,740
Forfeited	(721,170)	(3,136,800)
Cancelled	(251,190)	(9,747,600)
At the end of the period/year	113,470,562	110,197,112

24 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of the entities	Relationship
Tencent Holdings Limited and its subsidiaries (the “Tencent Group”)	The entity who has significant influence on the Company
Sinopharm Rosino (Shanghai) Commercial Factoring Co., LTD.	Associate of the Group
Go Asset Management Limited	Associate of the Group
Olea Global Pte. Ltd.	Joint venture of the Group
Greenland Linklogis Group Holdings Pte. Ltd.	Associate of the Group

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	9,630	6,994
Contributions to defined contribution scheme	232	94
Share-based compensation	8,316	6,375
Key management personnel remuneration	18,178	13,463

(c) Related parties transactions

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Charged by related parties		
– Software system utilise and service payment	3,115	1,955
– Corporation and revenue sharing	177	–
– Interest expense for borrowings (note 4(a))	9	–
– Funding cost for supply chain financing transactions	338	–
	3,639	1,955
Provide to related parties		
– Technology service fee	26,489	–
– Supply chain financing services income	1,036	2,671
	27,525	2,671

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balance with related parties

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Trade related		
Trade receivables	67,988	44,197
Prepayments, other receivables and other assets	4,178	8,256
Trade payables	188	107
Other payables, accruals and other liabilities	100,551	–
Non trade related		
Borrowings	13,223	13,214

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting periods 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Fair value hierarchy

	As at 30 June 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Unlisted equity investments	–	–	55,000	55,000
Supply chain assets held for sale	–	–	3,346,195	3,346,195
Asset-backed securities	–	–	75,256	75,256
Others	–	–	108,503	108,503
Financial assets at fair value through profit or loss	–	–	3,584,954	3,584,954
Financial assets at fair value through other comprehensive income	–	–	953,878	953,878
	As at 31 December 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Unlisted equity investments	–	–	2,000	2,000
Supply chain assets held for sale	–	–	1,826,327	1,826,327
Asset-backed securities	–	–	291,385	291,385
Others	–	–	101,103	101,103
Financial assets at fair value through profit or loss	–	–	2,220,815	2,220,815
Financial assets at fair value through other comprehensive income	–	–	1,904,307	1,904,307

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

The movement of financial assets at fair value through profit or loss during the reporting periods in the balance of Level 3 fair value measurements is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Unlisted equity investment		
At beginning of the period/year	2,000	2,000
Payment for purchase	53,000	–
	<u>55,000</u>	<u>2,000</u>
At end of the period/year	<u>55,000</u>	<u>2,000</u>
Supply chain assets held for sale		
At beginning of the period/year	1,826,327	1,009,223
Payment for purchase	19,040,139	43,648,435
Net unrealised gains recognised in profit or loss during the period/year	27,301	20,959
Transfer and settlement	(17,547,572)	(42,852,290)
	<u>3,346,195</u>	<u>1,826,327</u>
At end of the period/year	<u>3,346,195</u>	<u>1,826,327</u>
Asset-backed securities		
At beginning of the period/year	291,385	68,226
Payment for purchase	165,300	487,100
Net unrealised (losses)/gains recognised in profit or loss during the period/year	(4,329)	22,285
Transfer and settlement	(377,100)	(286,226)
	<u>75,256</u>	<u>291,385</u>
At end of the period/year	<u>75,256</u>	<u>291,385</u>
Others		
At beginning of the period/year	101,103	65,995
Payment for purchase	–	32,179
Net unrealised gains recognised in profit or loss during the period/year	2,093	4,421
Exchange difference	5,307	(1,492)
	<u>108,503</u>	<u>101,103</u>
At end of the period/year	<u>108,503</u>	<u>101,103</u>
Total net unrealised gains for the period/year included in the profit or loss	<u>25,065</u>	<u>47,665</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

The movement of financial assets at fair value through other comprehensive income refer to note 10 to the consolidated financial statements.

During the reporting periods, there were no transfers of the financial assets measured at fair value between Level 1 and Level 2, or transfers into or out of 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.

The Company issued several series of redeemable convertible preferred shares, the ordinary shares with preferential rights and convertible loans to investors. The Company had contractual obligation to deliver cash or other financial assets to the holder of such instruments upon events that were beyond the control of the Company. Such contractual obligation gave rise to a financial liability, and was designated as financial liabilities measured at fair value through profit or loss at initial recognition. Any transaction costs and subsequent changes in fair value were recognised in the profit or loss section in the consolidated financial statements.

On 9 April 2021 ("the Listing Date"), the Company had successfully listed on the Main Board of Hong Kong Stock Exchange and made an offering of 452,878,500 shares of class B ordinary shares (excluding class B ordinary shares issued pursuant to the exercise of the over-allotment option) at a price of HK\$17.58 per share. The Company used this offering price to determine the fair value of the convertible redeemable preferred shares and the ordinary shares with preferential rights as of 9 April 2021 accordingly. All convertible redeemable preferred shares and the ordinary shares with preferential rights were converted into class B ordinary shares upon completion of the initial public offering on the Listing Date.

A loss due to fair value changes of convertible redeemable preferred shares and the ordinary shares with preferential rights, which amounted to RMB13,085,985,000, were recorded in "fair value changes of financial liabilities measured at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021, and the balance of the convertible redeemable preferred shares and the ordinary shares with preferential rights were transferred to share capital and capital reserve of the Company on the Listing Date. Accordingly, there is no related fair value changes for the six months ended 30 June 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation techniques and inputs used in Level 3 fair value measurements

The Group determines the fair value of unlisted equity investment, supply chain assets held for sale, the asset-backed securities and other investment portfolio in financial assets at fair value through profit or loss as well as supply chain assets in financial assets at fair value through other comprehensive income by using discounted cash flow model. The significant unobservable inputs are the risk-adjusted discount rates, which ranged from 1.60% to 14.40% as of 30 June 2022 for financial assets at fair value through profit or loss and from 7.56% to 14.01% for financial assets at fair value through other comprehensive income, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Fair value changes of financial assets at fair value through profit or loss		
Discount rate decrease 1%	(8,288)	(3,385)
Discount rate increase 1%	8,207	3,346
Fair value changes of financial assets at fair value through other comprehensive income		
Discount rate decrease 1%	(3,222)	(9,605)
Discount rate increase 1%	3,215	9,531

(c) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30 June 2022 and 31 December 2021.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

26 CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

27 SUBSEQUENT EVENT

Up to the date of this report, the Group had no material events for disclosure after the end of the reporting period.

DEFINITIONS

“2019 Equity Incentive Plan”	the share incentive plan approved and adopted in January 2019 and subsequently amended and restated on November 2020, the principal terms of which are set out in “Statutory and General information - D. Equity Incentive Plan” in Appendix IV to the Prospectus
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China and for the purposes of this report 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\$0.00000833 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\$0.00000833 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”	Linklogis Inc. (formerly known as Linklogis Financial Holdings Inc.), a company with limited liability incorporated in the Cayman Islands on March 13, 2018.
“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

“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. Song and the direct and indirect companies through which Mr. Song has an interest in the Company, namely Cabnetvic Company Limited, Cabnetwa Company Limited, Cabnetsa Company Limited and Cabnetnt Company Limited.
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of our Company
“Global Offering”	the public offering of the Company’s Class B Shares as defined and described in the Prospectus
“Group”, “Linklogis”, “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
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board

DEFINITIONS

“Latest Practicable Date”	September 16, 2022, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information
“Listing”	the listing of the Class B Shares on the Main Board
“Listing Date”	April 9, 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 market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Song” or “WVR Beneficiary”	Mr. Song Qun, our founder, executive Director, chairman of the Board, chief executive officer and Controlling Shareholder, as well as the holder of the Class A Shares entitling him to weighted voting rights
“Onshore Holdco” or “variable interest entity”	Linklogis Digital Technology Group Co., Ltd. (聯易融數字科技集團有限公司), a limited liability company established in Shenzhen, the PRC on February 5, 2016 and one of our Consolidated Affiliated Entities
“Prospectus”	the prospectus of the Company dated March 26, 2021
“Registered Shareholders”	the registered shareholders of the Onshore Holdco from time to time
“Reporting Period”	six months ended 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

DEFINITIONS

“RMB”	Renminbi yuan, the lawful currency of China
“RSU”	a restricted share unit award to be granted to a participant under the 2019 Equity Incentive Plan
“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
“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 right” or “WVR”	has the meaning ascribed to it under the Listing Rules
“WFOE”	Linklogis Supply Chain Services (Shenzhen) Co., Ltd. (聯易融供應鏈服務(深圳)有限公司), a limited liability company established in Shenzhen, the PRC on July 24, 2018 and a wholly-owned subsidiary of our Company
“%”	per cent

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.