百融云创

Bairong Inc.

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

Stock Code 股份代號：6608

2021 Interim Report 中期報告

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Company Information

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

Non-executive Directors
Mr. Bai Linsen
Mr. Ren Xuefeng

Independent non-executive Directors
Professor Chen Zhiwu
Mr. Zhou Hao
Professor Guo Yike
Dr. Li Yao *(Appointed with effect from June 17, 2021)*

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

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

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

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

Joint company secretaries
Mr. Chen Chunyang
Ms. Leung Shui Bing

Authorised representatives
Mr. Zhao Hongqiang
Ms. Leung Shui Bing

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

Principal place of business in Hong Kong
31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay, Hong Kong

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

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

Legal advisers

As to Hong Kong and U.S. laws
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42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Central, Hong Kong

As to PRC law
Commerce & Finance Law Offices
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Chaoyang District, Beijing, PRC

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Compliance adviser

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

Hong Kong Share Registrar

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

Principal share registrar and transfer office

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

Principal bank

China Merchants Bank
(Beijing Yuquan Road sub-branch)

Stock code

6608

Company website

www.brgroup.com

Key Highlights

	Six months ended June 30,		
	2021	2020	Change (%)
	(unaudited)	(unaudited)	
	(RMB in thousands, except percentages)		
Revenue	**791,473**	474,303	67
Gross profit	**577,273**	345,700	67
Operating profit/(loss)	**123,725**	(14,260)	N/A
Loss for the period	**(3,638,882)**	(86,845)	4,090
Non-IFRS measures			
Non-IFRS profit for the period	**98,751**	3,641	2,612
Non-IFRS EBITDA	**149,057**	42,452	251

Our total revenue increased by 67% from RMB474.30 million for the six months ended June 30, 2020 to RMB791.47 million for the six months ended June 30, 2021. We have achieved strong revenue growth across all major businesses primarily attributable to strong demand for our services and products as a result of market recovery from the adverse impact of COVID-19 and the expansion of products and services offering to our key FSP, such as post-lending monitoring, AI enabled customer service platform, etc. Our gross profit for the same period increased by 67% from RMB345.70 million for the six months ended June 30, 2020 to RMB577.27 million for the six months ended June 30, 2021. Our net loss was RMB3,638.88 million for the six months ended June 30, 2021 which was mainly attributable to a loss of RMB3,697.29 million on changes in fair value of redeemable convertible preferred shares. Upon the completion of the listing, our redeemable convertible preferred shares were converted to our ordinary shares, and no further loss or gain on changes in fair value of the redeemable convertible preferred shares will be recorded afterwards.

Non-IFRS EBITDA increased by 251% from RMB42.45 million for the six months ended June 30, 2020 to RMB149.06 million for the six months ended June 30, 2021. Non-IFRS profit for the period increased by 2,612% from RMB3.64 million for the six months ended June 30, 2020 to RMB98.75 million for the six months ended June 30, 2021.

Business review for the Reporting Period

We are a leading independent AI-powered technology platform in China serving the financial services industry. As of June 30, 2021, we had served more than 5,100 FSP clients of which 2,876 are paying FSP clients. Our clients include substantially all of China's national banks, more than 840 regional banks, substantially all of China's consumer finance companies, over 100 major insurance companies and a variety of other FSPs. We provide cloud-based services through our big data and AI technologies to support the needs of FSPs in pre-lending risk management, post-lending monitoring, non-performing loan (NPL) management and insurance risk management, enabling them to reduce exposure to fraud and improve their underwriting and risk management efficiency and effectiveness. We also start providing smart consumer operation solutions for our Key FSP clients to satisfy their increasing demand in operation digitalization. Our marketing and distribution services experienced very strong growth in the first half due to stronger than expected market rebound and improving operational efficiency. Our insurance distribution platform empowers brokers with data-driven tools and analytics to facilitate efficient and effective insurance sales and customer relationship management.

In the first half of 2021, due to the strong demand for precision marketing and digital transformation from FSPs, we have experienced significant growth, highlighted by the following key metrics:

- As of June 30, 2021, among more than 5,100 FSP clients we served, we cumulatively had 2,876 paying FSP clients that had a paid subscription for our products and services, representing an increase of 10.5% as compared with 2,602 paying FSP clients as of December 31, 2020.

- We define "Key FSP clients" as licenced financial institutions that each contribute more than RMB300,000 total revenue in a given calendar year. We had 237 Key FSP clients in 2020, 210 of which were still our paying FSP clients in the first half of 2021, representing a retention rate of 89%.

- In the first half of 2021, 177 of our paying FSP clients were Key FSP clients, increasing 20.1% as compared with 147 in the first half of 2020, and the APRU increased by 24.7% to RMB3.53 million.

The Company was successfully listed on the Main Board of the Stock Exchange on March 31, 2021, enabling the Company to enter into the international capital markets and also providing funds for the long-term development of the Company to grasp development opportunities in the industry, details as set out in the Prospectus.

Data security and privacy protection are one of our highest priorities. Our architecture and platform have passed various Level 3 security certifications from Chaoyang Branch of Beijing Municipal Public Security Bureau. We have earned ISO27701 (Privacy Information Management System Certification) and many other international security certifications. We have implemented comprehensive internal policies on protecting data security and have established a CEO-led data security committee. We also pay more attention to strengthen the protection of privacy information through the development and utilization of AI technologies, such as federated leaning, secured multi-party computation, privacy-preserving computation, to serve our FSP clients more securely and stably. We developed "Indra", a ground breaking secured multi-party computation platform that meets key privacy protection needs in the process of data development. Indra offers a safe and efficient data cooperation model for financial institutions, enabling them to tap into the value of data whilst ensuring compliance with data usage policies and preventing data leakage.

Business outlook

Going forward, we plan to implement the following strategies, which we believe, will further strengthen our core competitive strengths and enable us to capture rising business opportunities:

Solidify leadership in technology. We will continue to invest in cutting-edge underlying technologies and improve our existing technology infrastructure, such as AI algorithm and automatic real-time analysis, with a goal to provide a more secure, stable and scalable services to our FSP clients. Specifically, we will further develop our AutoML technology to train more unique models in the financial industry field to strengthen our ability of basic structural standardization. We will also enhance our distributed relationship mapping capabilities, which differ from traditional knowledge graphs, and are a set of concepts and technologies accumulated from our years of work in financial application scenarios. We will continue investing resources to develop privacy-preserving computation for privacy protection. Furthermore, we aim to strengthen our cloud infrastructure by adding more processing power and simultaneous date backup facilities, as well as optimising cloud operating system to improve our service capability and reliability.

Enhance and expand our products and services. In the context of digital transformation of financial institutions, we are dedicated to continually improving the capability and innovation of our products and services to cater to their evolving needs. We plan to offer cloud-based AI solutions with digital transformation consulting services for FSPs to help them speed up digitalization. In addition, because of the increasing demand for post-lending monitoring and existing consumer operating, we will continue to expand our product offerings accordingly. We will further develop our intelligent post-lending analytics solutions to offer enhanced decision-making support engines and smart marketing strategies for FSP clients to activate their consumers and manage their users' experience. For example, we have signed contracts with several national banks for intelligent post-lending solutions to improve their operating efficiency. We also incorporated AI-enabled smart servicing voicebot with our cloud-native analytics engine to provide a total solution package to regional banks and smaller FSP clients and help them penetrate local markets.

Further expand our client base and deepen client relationship. We will continue following our "Land and Expand" model to acquire FSP clients and grow our client relationships over time. We will further enhance our business development capabilities, further expand our footprint in the financial services industry, and continue to deepen our client relationship by offering more comprehensive products and services covering the entire transaction life cycle. We will continue focusing on converting FSPs to our paying FSP clients and Key FSP clients, and increasing both the APRU of Key FSP clients and the retention rate.

Pursue strategic acquisitions that complement our leadership position. While we expect this will occur primarily through organic growth, we have acquired and will continue to acquire assets and businesses that strengthen our value proposition to our FSP clients.

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Revenues		
Data analytics and other services	**302,792**	227,557
Precision marketing services	**245,694**	94,638
Insurance distribution services	**242,987**	152,108
Total revenues	**791,473**	474,303
Cost of sales	**(214,200)**	(128,603)
Gross profit	**577,273**	345,700
Other income	**22,644**	18,266
Research and development expenses	**(114,070)**	(100,718)
General and administrative expenses	**(124,164)**	(86,281)
Sales and marketing expenses	**(237,752)**	(189,321)
Impairment loss	**(206)**	(1,906)
Profit/(Loss) from operations	**123,725**	(14,260)
Net finance costs	**(56,601)**	(5,444)
Changes in fair value of financial assets measured at fair value through profit or loss	**60**	(771)
Changes in fair value of derivative instruments	**339**	–
Changes in fair value of redeemable convertible preferred shares	**(3,697,294)**	(69,704)
Loss before taxation	**(3,629,771)**	(90,179)
Income tax (expense)/benefit	**(9,111)**	3,334
Loss for the period	**(3,638,882)**	(86,845)
Attributable to:		
Equity shareholders of the Company	**(3,641,887)**	(87,163)
Non-controlling interests	**3,005**	318
Total comprehensive income for the period	**(3,638,882)**	(86,845)
Non-IFRS profit for the period	**98,751**	3,641

Revenue

Our total revenue increased by 67% from RMB474.30 million for the six months ended June 30, 2020 to RMB791.47 million for the six months ended June 30, 2021, primarily attributable due to industry growth and our enhanced capabilities of providing products and services.

Our revenue from data analytics and other services increased by 33% from RMB227.56 million for the six months ended June 30, 2020 to RMB302.79 million for the six months ended June 30, 2021, primarily attributable to strong demand for our data analytics services and introduction of products and services for post-lending scenarios.

Our revenue from precision marketing services increased by 160% from RMB94.64 million for the six months ended June 30, 2020 to RMB245.69 million for the six months ended June 30, 2021, primarily attributable to stronger than expected demand for customer acquisition and our enhanced efficiency and precision in user acquisition and accuracy in matching and recommendation.

Our revenue from insurance distribution services increased by 60% from RMB152.11 million for the six months ended June 30, 2020 to RMB242.99 million for the six months ended June 30, 2021, primarily attributable to market recovery and our broker team's improved productivity.

Cost of sales

The cost of sales increased by 67% from RMB128.60 million for the six months ended June 30, 2020 to RMB214.20 million for the six months ended June 30, 2021, primarily attributable to an increase of RMB70.36 million in insurance brokerage commission costs and an increase of RMB9.32 million in data service costs. The increase in insurance brokerage commission costs was primarily driven by significant increase in revenues from life insurance products underwritten through our platform.

Gross profit and gross margin

As a result of the foregoing, the Group's gross profit increased by 67% from RMB345.70 million for the six months ended June 30, 2020 to RMB577.27 million for the six months ended June 30, 2021. The Group's gross margin remained consistent at approximately 73% for both the six months ended June 30, 2020 and 2021.

Research and development expenses

The Group's research and development expenses increased by 13% from RMB100.72 million for the six months ended June 30, 2020 to RMB114.07 million for the six months ended June 30, 2021, primarily attributable to an increase of RMB8.78 million in staff costs as a result of the increases in the headcount of our research and development personnel.

General and administrative expenses

The Group's general and administrative expenses increased by 44% from RMB86.28 million for the six months ended June 30, 2020 to RMB124.16 million for the six months ended June 30, 2021, primarily attributable to an increase of RMB36.33 million in professional services fee mostly related to the completion of Global Offering in the first quarter of 2021.

Sales and marketing expenses

Our sales and marketing expenses increased by 26% from RMB189.32 million for the six months ended June 30, 2020 to RMB237.75 million for the six months ended June 30, 2021, primarily due to an increase of RMB28.69 million in advertising and information technology services expenses as a result of increased demand from precision marketing services and an increase of RMB17.89 million in staff costs due to our expansion of the selling and marketing teams to support the expansion of data analytics, insurance distribution services and new initiatives.

Other income

Our other income increased by 24% from RMB18.27 million for the six months ended June 30, 2020 to RMB22.64 million for the six months ended June 30, 2021, primarily attributable to an increase of RMB3.78 million in investment income from wealth management products and trust plans.

Net finance costs

Net finance cost primarily consists of interest expense on lease liabilities rising from the adoption of IFRS 16, and foreign currency exchange loss due to depreciation of USD against RMB. Our net finance costs were RMB56.60 million for the six months ended June 30, 2021, compared to a net finance costs of RMB5.44 million for the six months ended June 30, 2020, primarily as a result of the increase in foreign currency exchange loss. We have entered into several foreign exchange forwards and options to manage our foreign exchange exposure risks.

Changes in fair value of redeemable convertible preferred shares

Changes in fair value of redeemable convertible preferred shares increased to a loss of RMB3,697.29 million for the six months ended June 30, 2021 from a loss of RMB69.70 million for the six months ended June 30, 2020, resulting from significant increase in the valuation of our Company, which was determined by the offering price of the Shares in our Global Offering on March 31, 2021.

Income tax (expense)/benefit

We had income tax benefit of RMB3.33 million for the six months ended June 30, 2020, while we had income tax expenses of RMB9.11 million for the six months ended June 30, 2021, primarily due to the decrease of deferred tax assets, as our certain subsidiaries made profits and utilized accumulated losses carried forward.

Loss for the period

As a result of the foregoing, the Group's loss for the period increased from RMB86.85 million for the six months ended June 30, 2020 to RMB3,638.88 million for the six months ended June 30, 2021 primarily due to an increase of RMB3,697.29 million in fair value of redeemable convertible preferred shares upon the Listing. Upon the completion of our Listing, our redeemable convertible preferred shares were converted into our ordinary shares and consequently were reclassified from liabilities to equity. Afterwards, no further loss or gain on changes in fair value of the redeemable convertible preferred shares will be recorded.

Non-IFRS Measures

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

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated statement of profit or loss in the same manner as they help our management. However, our presentation of non-IFRS (loss)/profit and non-IFRS EBITDA may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitutes for an analysis of, our results of operations or financial condition as reported under IFRSs.

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

The following table reconciles our non-IFRS profit for the six months ended June 30, 2020 and 2021 and non-IFRS EBITDA presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the period:

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

	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
	(RMB in thousands)	
Loss for the period	**(3,638,882)**	(86,845)
Add		
Share-based compensation[1]	**11,123**	20,782
Changes in fair value of redeemable convertible preferred shares[2]	**3,697,294**	69,704
Listing expenses[3]	**29,216**	–
Non-IFRS profit for the period	**98,751**	3,641

Reconciliation of loss to EBITDA and non-IFRS EBITDA for the period:

	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
	(RMB in thousands)	
Loss for the period	**(3,638,882)**	(86,845)
Add		
Net finance costs	**1,315**	5,444
Income tax expense/(benefit)	**9,111**	(3,334)
Depreciation	**39,393**	36,223
Amortization	**487**	478
EBITDA	**(3,588,576)**	(48,034)
Add		
Share-based compensation(1)	**11,123**	20,782
Changes in fair value of redeemable convertible preferred shares(2)	**3,697,294**	69,704
Listing expenses(3)	**29,216**	–
Non-IFRS EBITDA	**149,057**	42,452

Notes:

(1) Share-based compensation relates to the share options 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 represent the losses arising from change in fair value of our issued redeemable convertible preferred shares, which were recognised as financial liability at fair value through profit or loss. Such changes no longer existed as our redeemable convertible preferred shares converted into equity upon completion of our Listing and are non-cash in nature and are not directly related to our operating activities.

(3) Listing expenses relates to the Global Offering, which is one-off in nature and is not directly related to our operating activities.

Liquidity and source of funding and borrowing

During the six months ended June 30, 2021, other than the proceeds from the Listing, we funded our cash requirements principally from cash generated from our operations. The Group had cash and cash equivalents of RMB2,781.36 million and RMB41.95 million as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021, the Group did not have any outstanding borrowings.

Significant Investments

The Group did not make or hold any significant investments during the six months ended June 30, 2021.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, Consolidated Affiliated Entities or associated companies during the six months ended June 30, 2021.

Pledge of assets

The Group had not pledged any of our assets as at June 30, 2021.

Future plans for material investments or capital asset

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

Gearing ratio

As at June 30, 2021, the Group's gearing ratio (i.e. total liabilities divided by total assets) was 0.09 (as at December 31, 2020: 1.95).

Foreign exchange exposure

During the six months ended June 30, 2021, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's Consolidated Affiliated Entities' functional currency. As at June 30, 2021, except for the proceeds from issuance of ordinary shares relating to the Global Offering which is exposed to foreign currency risk with respect to the Company's monetary assets denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. The Group has entered into several foreign exchange forwards and options to manage its foreign exchange exposure risks.

Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2021.

Capital commitment

The Group had no material capital commitment as at June 30, 2021.

Employees and remuneration

As at June 30, 2021, the Group had a total of 1,082 employees. The following table sets forth the total number of employees by function as of June 30, 2021:

Function	As of June 30, 2021
Sales and marketing	257
Research and development	542
Customer service	93
General administration	190
Total	1,082

The total remuneration cost incurred by the Group for the six months ended June 30, 2021 was RMB207.93 million, as compared to RMB182.01 million for the six months ended June 30, 2020.

The Company also has adopted a post-IPO share option scheme and a Share Award Scheme.

Weighted voting rights

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

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

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

As of June 30, 2021, the WVR Beneficiary is Mr. Zhang. Mr. Zhang is interested in 84,299,615 Class A Shares, representing approximately 67.23% of the voting rights in the Company immediately after the Global Offering, and entitled to control 15,000,000 Class B Shares representing approximately 1.20% of the voting rights in the Company immediately after the Global Offering with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Genisage Tech Inc., which is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family.

Class A Shares may be converted into Class B Shares on a one-to-one ratio. As of June 30, 2021, upon conversion of all the issued and outstanding Class A Shares into Class B shares, the Company will issue 84,299,615 Class B shares, representing 20.51% of the total number of issued and outstanding Class B Shares or 17.02% of the issued Shares 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 our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;

(ii) when the holders of Class A Shares have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rules;

(iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rules; or

(iv) when all of the Class A Shares have been converted to Class B Shares.

Compliance with the Corporate Governance Code

After the Listing, we have complied with all the code provisions set forth in Appendix 14 to the Listing Rules, save for the following.

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

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

Compliance with the Model Code for Securities Transactions by Directors

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

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Code since the Listing Date up to the Latest Practical Date.

Board committees

The Board has established four committees, namely, the audit committee, the remuneration committee, the nomination committee and the corporate governance committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit committee

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

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

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

The audit committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2021. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members.

Other Board Committees

In addition to the audit committee, the Company has also established a nomination committee, a remuneration committee and a corporate governance committee.

Corporate governance committee

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

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

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

The following is a summary of work performed by the corporate governance committee during the six months ended June 30, 2021:

- Reviewed the policies and practices of the Company on corporate governance and on compliance with legal and regulatory requirements. The policies reviewed include code for securities transactions by directors and relevant employees, board diversity policy, shareholders' communication policy, procedures for nomination of director by shareholders, disclosure of information policy, connected transactions policy and whistle-blowing policy, dividend policy and other corporate governance policies.

- Reviewed the Company's compliance with the Corporate Governance Code and the deviation(s) from code provision A.2.1 of the Corporate Governance Code and the Company's disclosure for compliance with Chapter 8A of the Listing Rules.

- Reviewed the remuneration, the terms of engagement and the re-appointment of the compliance advisor.

- Reviewed and monitored the management of conflicts of interests between the Group/the Shareholders on one hand and the WVR Beneficiary on the other.

- Reviewed and monitored all risks related to the weighted voting rights structure, including connected transactions between the Group/the Shareholders on one hand and the WVR Beneficiary on the other.

- Reviewed the arrangements for the training and continuous professional development of Directors and senior management (in particular, Chapter 8A of the Listing Rules and knowledge in relation to risks relating to the weighted voting rights structure).

- Reviewed and confirmed that the WVR Beneficiary has been member of the Board throughout the six months ended June 30, 2021 and no matters under Rule 8A.17 of the Listing Rules have occurred during the six months ended June 30, 2021, and he has complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the six months ended June 30, 2021.

- Sought to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.

- Reported on the work of the corporate governance committee covering all areas of its terms of reference.

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

The corporate governance committee has reviewed the remuneration and terms of engagement of the compliance advisor, and confirmed to the Board that it is not aware of any factors that would require it to consider either the removal of the current Compliance Advisor or the appointment of a new compliance advisor. As a result, the corporate governance committee recommended that the Board retain the services of the compliance advisor.

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

As of June 30, 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange are set out below:

Name	Nature of interest	Number of Shares	Approximate % of interest in each class of share[1]
Mr. Zhang[2]	Founder of a trust	84,299,615 Class A Shares	100.00%
	Interest in a controlled corporation	15,000,000 Class B Shares	3.65%
Mr. Zhao Hongqiang	Beneficial owner	800,000 Class B Shares	0.19%
Ms. Zhao Jing	Beneficial owner	341,880 Class B Shares	0.08%
Mr. Bai Linsen	Interest in a controlled corporation	5,907,745 Class B Shares	1.44%

Notes:

(1) The calculation is based on the total number of 84,299,615 Class A Shares and 410,989,715 Class B Shares in issue as at June 30, 2021.

(2) This includes 84,299,615 Class A Shares held by Genisage Tech Inc. and 15,000,000 Class B Shares held by GeniAI Tech Ltd. Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. Mr. Zhang is deemed to be interested in the Class B Shares held by GeniAI Tech Ltd..

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

As of June 30, 2021, the following persons (other than the Directors and chief executives whose interests have been disclosed in this interim report) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company, pursuant to section 336 of the SFO,:

Name	Capacity/Nature of interest	Number of Shares	Approximate % of interest in each class of share[1]
Class A Shares			
Genisage Tech Inc.[2]	Beneficial owner	84,299,615 (L)	100.00%
Genisage Holdings Limited[2]	Interest in controlled corporations	84,299,615 (L)	100.00%
TMF (Cayman) Ltd.[2]	Trustee	84,299,615 (L)	100.00%
Mr. Zhang[2]	Founder of a trust	84,299,615 (L)	100.00%
Class B Shares			
Zhuhai Gaoling Tiancheng Investment Management Co., Ltd.	Investment manager	46,035,585 (L)	11.20%
HH BR-I Holdings Limited[3]	Beneficial owner	40,493,370 (L)	9.85%
Tianjin GLTC Enterprise Management Consultation, L.P.[3]	Interest in controlled corporations	40,493,370 (L)	9.85%
CRF Summit Investment Limited[4]	Interest in controlled corporations	28,170,780 (L)	5.69%
Tianjin Shenghuatianxi Enterprise Management Partnership L.P.[4]	Interest in controlled corporations	28,170,780 (L)	5.69%
Xinjiang Guoxin Equity Investment Management Co., Ltd.[4]	Interest in controlled corporations	44,571,580 (L)	9.00%

Name	Capacity/Nature of interest	Number of Shares	Approximate % of interest in each class of share[1]
China Reform Fund Management (Group) Co., Ltd.[4]	Interest in controlled corporations	44,571,580 (L)	9.00%
China Reform Fund Management Co., Ltd.[4]	Interest in controlled corporations	44,571,580 (L)	9.00%
China Reform Holdings Co., Ltd.[4]	Interest in controlled corporations	44,571,580 (L)	9.00%
Max Elegant Limited[5]	Beneficial owner	30,937,545 (L)	7.53%
Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P.[5]	Interest in controlled corporations	30,937,545 (L)	7.53%
Sequoia Shiman Management Consulting (Beijing) Limited[5]	Interest in controlled corporations	30,937,545 (L)	7.53%
Sequoia Capital Equity Investment Management (Tianjin) Limited[5]	Interest in controlled corporations	30,937,545 (L)	7.53%
Mr. Zhou Kui[5]	Interest in controlled corporations	30,937,545 (L)	7.53%
Cederberg Capital (Cayman)[6]	Interest in controlled corporations	29,276,000 (L)	7.12%
Cederberg Capital (Cayman) GP[6]	Interest in controlled corporations	29,276,000 (L)	7.12%
Dawid Krige[6]	Interest in controlled corporations	29,276,000 (L)	7.12%
Qianhai Golden Bridge IV LP[7]	Beneficial owner	25,704,335 (L)	6.25%
Qianhai Golden Bridge Management Ltd.[7]	Interest in controlled corporations	25,704,335 (L)	6.25%
Qianhai Golden Bridge Co., Ltd.[7]	Interest in controlled corporations	25,704,335 (L)	6.25%
Mr. Wang Haipeng[7]	Interest in controlled corporations	25,704,335 (L)	6.25%
深圳中金前海伯樂四號基金中心(有限合夥)[7]	Interest in controlled corporations	25,704,335 (L)	6.25%
CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd[7]	Interest in controlled corporations	25,704,335 (L)	6.25%

Name	Capacity/Nature of interest	Number of Shares	Approximate % of interest in each class of share[(1)]
CICC Capital Operation Co., Ltd.[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
China International Capital Corporation Limited[(7)]	Interest in controlled corporations	25,704,335 (L)	6.25%
Wu Capital Limited[(8)]	Beneficial owner	24,314,910 (L)	5.92%
Zodiac Elements Limited[(8)]	Interest in controlled corporations	24,314,910 (L)	5.92%
Aureate Kirin Limited[(8)]	Interest in controlled corporations	24,314,910 (L)	5.92%
TMF (Cayman) Ltd.[(8)]	Trustee	24,314,910 (L)	5.92%
Ms. Cai Xinyi[(8)]	Founder of a trust	24,314,910 (L)	5.92%
IDG-Accel China Growth Fund GP III Associates Ltd.[(9)]	Interest in controlled corporations	21,042,090 (L)	5.12%
Mr. Zhou Quan[(9)]	Interest in controlled corporations	21,042,090 (L)	5.12%
Mr. Ho Chi Sing[(9)]	Interest in controlled corporations	21,042,090 (L)	5.12%

Notes:

(1) The calculation is based on the total number of 84,299,615 Class A Shares and 410,989,715 Class B Shares in issue as at June 30, 2021. The letter "L" stand for long position.

(2) Genisage Tech Inc. is wholly-owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is indirect held through TMF (Cayman) Ltd., which is the trustee of a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. Therefore Mr. Zhang is deemed to hold interests in Genisage Tech Inc..

(3) HH BR-I Holdings Limited is wholly-owned by Tianjin GLTC Enterprise Management Consultation, L.P. The general partner of Tianjin GLTC Enterprise Management Consultation, L.P. is Zhuhai Gaoling Tiancheng Investment Management Co., Ltd.

(4) CRF Summit Investment Limited is wholly-owned by Tianjin Shenghuatianxi Enterprise Management Partnership L.P. and Waterdrop Investment Limited is indirect wholly-owned by Tianjin Zhonghetianxi Enterprise Management Partnership L.P., with Xinjiang Guoxin Equity Investment Management Co., Ltd. being their sole management company. Xinjiang Guoxin Equity Investment Management Co., Ltd. is wholly-owned by China Reform Fund Management Co., Ltd., with China Reform Fund Management (Group) Co., Ltd. being its largest single shareholder. China Reform Fund Management (Group) Co., Ltd. is wholly-owned by China Reform Holdings Co., Ltd.

(5) Max Elegant Limited is controlled by Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P., whose general partner is Sequoia Capital Equity Investment Management (Tianjin) Limited. Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P. which is indirect owned by Sequoia Shiman Management Consulting (Beijing) Limited as to 99%. Sequoia Shiman Management Consulting (Beijing) Limited is indirect wholly-owned by Sequoia Capital Equity Investment Management (Tianjin) Limited, which is owned by Kui Zhou and Lianqing Zhang as to 70% and 30% respectively.

(6) Cederberg Capital (Cayman), which is owned by Dawid Krige as to 64%, through its direct controlled corporation to hold 29,276,000 Class B Shares. Cederberg Capital (Cayman) GP, which is indirect owned by Dawid Krige as to 64%, have indirect interests in Cederberg Capital (Cayman).

(7) Qianhai Golden Bridge IV LP is a limited partnership established in the Cayman Islands controlled by Qianhai Golden Bridge Management Ltd, which is indirect wholly-owned by Qianhai Golden Bridge Co., Ltd.. Qianhai Golden Bridge Co., Ltd is indirect owned by CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. as to 55%. CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. is controlled by CICC Capital Operation Co., Ltd., which is indirect wholly-owned by China International Capital Corporation Limited. Mr. Wang Haipeng is the limited partner of Qianhai Golden Bridge IV LP contributing more than one third of the capital to Qianhai Golden Bridge IV LP. Mr. Wang Haipeng holds the above interest on behalf of 深圳中金前海伯樂四號基金中心(有限合夥).

(8) Wu Capital Limited is wholly-owned by Zodiac Elements Limited, which is indirect wholly-owned by Aureate Kirin Limited. Aureate Kirin Limited is indirect wholly-owned by TMF (Cayman) Ltd., which is the trustee of a family trust set up by Ms. Cai Xinyi.

(9) IDG-Accel China Growth Fund GP III Associates Ltd. indirectly controls IDG-Accel China Growth Fund III L.P. and is the general partner of IDG-Accel China III Investors L.P., each a shareholder of the Company. IDG-Accel China Growth Fund GP III Associates Ltd. is managed and ultimately controlled by Mr. Zhou Quan and Mr. Ho Chi Sing.

Share Schemes

1. 2019 ESOP

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

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

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

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

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

Outstanding options granted. As of June 30, 2021, the Company had conditionally granted options to 205 Participants under the 2019 ESOP. All the options under the 2019 ESOP were granted between May 20, 2016, and March 9, 2021 (both days inclusive), and our Company has not grant further options under the 2019 ESOP after the Listing.

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

2. 2021 ESOP

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

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

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

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

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

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

(i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Class B Share on the date of grant.

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

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

Outstanding options granted. As of June 30, 2021, no options had been granted under the 2021 ESOP, since its adoption. The total number of Class B Shares available for grant under the 2021 ESOP was 41,098,971 Class B shares, representing 8.36% of the issued Shares at the Latest Practicable Date.

Further details of the 2021 ESOP are set out in the Prospectus.

3. Share Award Scheme

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

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

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

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

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

Outstanding awards granted. As of June 30, 2021, no awards had been granted under the Share Award Scheme.

Further details of the Share Award Scheme are set out in the announcement of the Company dated May 31, 2021.

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

During the six months ended June 30, 2021, the Company repurchased a total of 2,559,000 Class B Shares on the Stock Exchange at an aggregate consideration of approximately HK$53.80 million including expenses. Subsequently, the Company has repurchased a total of 1,226,000 Class B Shares on the Stock Exchange at an aggregate consideration of approximately HK$23.27 million including expenses in July 2021. Particulars of the Shares Repurchased during the six months ended June 30, 2021 are as follows:

Month of repurchase	No. of Class B Shares Repurchased	Highest price paid per Class B Share	Lowest price paid per Class B Share	Aggregate consideration
		(HK$)	(HK$)	(HK$)
June	2,559,000	22.60	19.10	53,803,177.87
Total	2,559,000			53,803,177.87

The number of Class B Shares in issue was reduced by 3,785,000 shares as a result of the cancellation accordingly. Upon cancellation of the Shares Repurchased, the WVR Beneficiary of the Company simultaneously reduced their WVR in the Company proportionately by way of converting their Class A Shares into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of shares carrying WVR of the Company shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

The Shares Repurchased in June and July was subsequently cancelled on August 10, 2021. A total of 644,218 Class A Shares were converted into Class B Shares on a one-to-one ratio on August 10, 2021.

In August 2021, the Company repurchased a total of 159,000 Class B Shares on the Stock Exchange and such Shares have not been cancelled as at the Latest Practicable Date.

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 since the Listing Date and up to the Latest Practical Date.

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

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

- Ms. Zhao Jing, an executive Director, has been re-designated from the senior finance director to finance vice president of our Group with effect from February 2021.

- Dr. Li Yao has been appointed as an independent non-executive Director of our Company with effect from June 17, 2021. For further details, please refer to the announcement of our Company dated June 17, 2021.

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

Dividends

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2021.

Use of proceeds from the Global Offering

On March 31, 2021, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering were approximately RMB3,192.14 million, after deducting of underwriting commissions and total expenses paid by the Company in connection with the Global Offering. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Contractual Arrangements

Qualification requirements

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

As a result of the restriction imposed by PRC Laws, we are unable to own or hold any direct equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC Laws.

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

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

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

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

- we have registered a number of global top-level domain names (including "brgroup.com") outside of the PRC, and have constructed an English website that will help potential overseas users to better understand the Company's services and businesses;

- we have registered a trademark outside of the PRC (namely "百融雲創") and are in the process of registering a number of overseas trademarks for the promotion of the Company's services and businesses overseas;

- we have established three subsidiaries in Hong Kong (namely Bairong HK Limited, Baoshu Tech Limited and Banyan HK Limited) for the purpose of registering and holding overseas intellectual properties, promoting the Company's services and businesses, and entering into business contracts with offshore counterparties; and

- through our aforementioned offshore subsidiaries, we have been exploring business opportunities for the Relevant Businesses in overseas markets.

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

Further details of the Contractual Arrangements, the risks relating to the Contractual Arrangements, the relevant PRC laws and regulations and the material terms of the Contractual Arrangements are set out in the Prospectus and the Company's 2020 Annual Report published on April 15, 2021.

Material litigation

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the Latest Practical Date.

Events after the Reporting Period

Save as disclosed in this interim report, there were no other significant events that might affect the Group after June 30, 2021, and up to the Latest Practicable Date.

Consolidated Statement of Profit or Loss

for the six months ended June 30, 2021 (unaudited)
Expressed in Renminbi ("RMB")

		Six months ended June 30,	
	Note	**2021**	2020
		RMB'000	RMB'000
Revenue	4	**791,473**	474,303
Cost of sales		**(214,200)**	(128,603)
Gross profit		**577,273**	345,700
Other income	5	**22,644**	18,266
Research and development expenses		**(114,070)**	(100,718)
General and administrative expenses		**(124,164)**	(86,281)
Sales and marketing expenses		**(237,752)**	(189,321)
Impairment loss	6(c)	**(206)**	(1,906)
Profit/(loss) from operations		**123,725**	(14,260)
Net finance costs	6(a)	**(56,601)**	(5,444)
Changes in fair value of financial assets measured at fair value through profit or loss	11	**60**	(771)
Changes in fair value of redeemable convertible preferred shares	17	**(3,697,294)**	(69,704)
Changes in fair value of derivative instruments	12	**339**	–
Loss before taxation	6	**(3,629,771)**	(90,179)
Income tax (expense)/benefit	7	**(9,111)**	3,334
Loss for the period		**(3,638,882)**	(86,845)
Attributable to:			
Equity shareholders of the Company		**(3,641,887)**	(87,163)
Non-controlling interests		**3,005**	318
Loss for the period		**(3,638,882)**	(86,845)
Loss per share			
Basic and diluted (RMB)	9	**(11.71)**	(0.64)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2021 (unaudited)

Expressed in RMB

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Loss for the period	**(3,638,882)**	(86,845)
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period	**(3,638,882)**	(86,845)
Attributable to:		
Equity shareholders of the Company	**(3,641,887)**	(87,163)
Non-controlling interests	**3,005**	318
Total comprehensive income for the period	**(3,638,882)**	(86,845)

Consolidated Statement of Financial Position

at June 30, 2021 (unaudited)

Expressed in RMB

	Note	**As at June 30, 2021 RMB'000**	As at December 31, 2020 RMB'000
Non-current assets			
Property, plant and equipment		**36,663**	36,947
Intangible assets		**29,739**	30,091
Right-of-use assets	10	**118,738**	129,367
Goodwill		**34,054**	34,054
Financial assets at fair value through profit or loss	11	**3,542**	3,542
Deferred tax assets		**3,565**	12,575
Restricted cash		**5,722**	5,722
		232,023	252,298
Current assets			
Prepaid expenses and other current assets		**54,754**	41,166
Financial assets at fair value through profit or loss	11	**469,925**	806,101
Financial assets at amortised cost	11	**646,299**	–
Derivative financial assets	12	**4,247**	–
Loans receivable		**189**	6,351
Trade receivables	13	**261,264**	179,913
Restricted cash	12	**117,574**	–
Cash and cash equivalents		**2,781,364**	41,949
		4,335,616	1,075,480

Consolidated Statement of Financial Position (Continued)

at June 30, 2021 (unaudited)

Expressed in RMB

	Note	**As at June 30, 2021 RMB'000**	As at December 31, 2020 RMB'000
Current liabilities			
Trade payables	14	**68,080**	53,136
Contract liabilities		**34,703**	39,868
Derivative financial liabilities	12	**3,908**	–
Lease liabilities	16	**50,476**	44,896
Accrued expenses and other current liabilities	15	**152,491**	142,033
		309,658	279,933
Net current assets		**4,025,958**	795,547
Total assets less current liabilities		**4,257,981**	1,047,845
Non-current liabilities			
Redeemable convertible preferred shares	17	**–**	2,212,631
Lease liabilities	16	**73,860**	86,439
Deferred tax liabilities		**5,843**	5,847
		79,703	2,304,917
NET ASSETS/(LIABILITIES)		**4,178,278**	(1,257,072)
Equity			
Share capital	18	**64**	19
Treasury shares	18, 20	**(45,181)**	–
Reserves	19	**4,202,644**	(1,274,837)
Total equity attributable to equity shareholders of the Company		**4,157,527**	(1,274,818)
Non-controlling interests		**20,751**	17,746
TOTAL EQUITY/(DEFICIT)		**4,178,278**	(1,257,072)

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2021 (unaudited)
Expressed in RMB

		Total equity attributable to equity shareholders of the Company								
		Ordinary shares		Treasury shares		Reserves				
	Note	Shares	Amount	Shares	Amount	Other reserves	Accumulated deficit	Total	Non – controlling interest	Total deficit
			RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of December 31, 2020 and January 1, 2021		**30,315,353**	**19**	**(3,000,000)**	**–**	**183,058**	**(1,457,895)**	**(1,274,818)**	**17,746**	**(1,257,072)**
Net loss		–	–	–	–	–	(3,641,887)	(3,641,887)	3,005	(3,638,882)
Issuance of ordinary shares, net of share issuance costs	18	123,822,500	16	–	–	3,198,349	–	3,198,365	–	3,198,365
Conversion of redeemable convertible preferred shares to ordinary shares	17	219,890,065	29	–	–	5,909,896	–	5,909,925	–	5,909,925
Effect of Share Subdivision	18	121,261,412	–	(12,000,000)	–	–	–	–	–	–
Share-based compensation	20	–	–	–	–	11,123	–	11,123	–	11,123
Repurchase of ordinary shares		–	–	(2,559,000)	(45,181)	–	–	(45,181)	–	(45,181)
Balance as of June 30, 2021		**495,289,330**	**64**	**(17,559,000)**	**(45,181)**	**9,302,426**	**(5,099,782)**	**4,157,527**	**20,751**	**4,178,278**

		Total equity attributable to equity shareholders of the Company								
		Ordinary shares		Treasury shares		Reserves				
	Note	Shares	Amount	Shares	Amount	Other reserves	Accumulated deficit	Total	Non – controlling interest	Total deficit
			RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of January 1, 2020		30,315,353	19	(3,000,000)	–	146,340	(1,347,340)	(1,200,981)	16,252	(1,184,729)
Net loss		–	–	–	–	–	(87,163)	(87,163)	318	(86,845)
Share-based compensation	20	–	–	–	–	20,782	–	20,782	–	20,782
Balance as of June 30, 2020 and July 1, 2020		30,315,353	19	(3,000,000)	–	167,122	(1,434,503)	(1,267,362)	16,570	(1,250,792)
Net loss		–	–	–	–	–	(23,392)	(23,392)	1,176	(22,216)
Share-based compensation	20	–	–	–	–	15,936	–	15,936	–	15,936
Balance as of December 31, 2020		30,315,353	19	(3,000,000)	–	183,058	(1,457,895)	(1,274,818)	17,746	(1,257,072)

Consolidated Statement of Cash Flows

for the six months ended June 30, 2021 (unaudited)
Expressed in RMB

	Note	Six months ended June 30, 2021 RMB'000	2020 RMB'000
Operating activities			
Net loss		**(3,638,882)**	(86,845)
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	**9,126**	8,155
Amortisation of intangible assets	6(c)	**487**	478
Depreciation of right-of-use assets	6(c)	**30,267**	28,068
Impairment loss	6(c)	**206**	1,906
Finance costs	6(a)	**4,576**	5,444
Changes in fair value of financial assets measured at fair value through profit or loss	11	**(60)**	771
Changes in fair value of derivative instruments	12	**(339)**	–
Changes in fair value of redeemable convertible preferred shares	17	**3,697,294**	69,704
Share-based compensation	20	**11,123**	20,782
Deferred tax expense/(benefit)	7(a)	**9,007**	(3,334)
Investment income	5	**(15,949)**	(11,883)
Foreign exchange loss	6(a)	**55,286**	–
Listing expenses	6(c)	**29,216**	–
Operating profit before changes in working capital		**191,358**	33,246
Changes in working capital			
(Increase)/decrease in trade receivables	13	**(81,641)**	6,949
Decrease/(increase) in loans receivable		**6,142**	(3,179)
(Increase)/decrease in prepaid expenses and other current assets		**(14,182)**	24,277
Increase in trade payables	14	**14,944**	9,290
(Decrease)/increase in contract liabilities		**(5,165)**	7,374
Decrease in accrued expenses and other liabilities	15	**(17,191)**	(47,004)
Net cash generated from operating activities		**94,265**	30,953

	Note	Six months ended June 30, 2021 RMB'000	2020 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(8,982)**	(8,692)
Purchase of intangible assets		**(136)**	(2,955)
Purchase of investments		**(3,953,790)**	(3,735,200)
Proceeds from sale of investments		**3,659,676**	3,644,567
Increase in restricted cash	12	**(117,574)**	–
Net cash used in investing activities		**(420,806)**	(102,280)
Financing activities			
Proceeds from issuance of ordinary shares relating to the initial public offering, net of issuance cost		**3,216,510**	–
Listing expenses paid as financing activities		**(24,367)**	–
Repurchase of ordinary shares		**(39,688)**	–
Payment of lease liabilities	16	**(31,213)**	(32,099)
Net cash generated from/(used in) financing activities		**3,121,242**	(32,099)
Net increase/(decrease) in cash and cash equivalents		**2,794,701**	(103,426)
Cash and cash equivalents at the beginning of the period		**41,949**	150,917
Effect of foreign exchange rate changes		**(55,286)**	–
Cash and cash equivalents at the end of the period		**2,781,364**	47,491

1 Corporate information

Bairong Inc. (the "Company"), was incorporated on June 21, 2018 in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on March 31, 2021 by way of its initial public offering (the "IPO").

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

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was approved and authorized for issue by the Board of Directors on August 25, 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 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").

3 Changes in accounting policies

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform — Phase 2
- Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

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

4 Revenue

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

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Data analytics and other services	**302,792**	227,557
Precision marketing services	**245,694**	94,638
Insurance distribution services	**242,987**	152,108
	791,473	474,303

During the periods ended June 30, 2021 and 2020, no customer individually accounted for more than 10% of the Group's total revenue.

4 Revenue (Continued)

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Point-in-time	**488,681**	246,746
Over-time	**302,792**	227,557
	791,473	474,303

Remaining Performance Obligation

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

All of the Group's operating assets are located in the PRC and all of the Company's revenue and operating profits are derived from the PRC during the periods ended June 30, 2021 and 2020. Accordingly, no segment analysis based on geographical locations is provided.

5 Other income

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Investment income from wealth management products	**2,756**	7,655
Investment income from trust plans	**12,904**	4,228
Investment income from fixed coupon note	**289**	–
Government grants and others	**3,513**	4,513
Extra deduction of input VAT	**3,182**	1,870
	22,644	18,266

6 Loss before taxation

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

(a) Net finance costs

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Interest expense on lease liabilities	**4,576**	5,542
Interest income from bank deposits	**(3,261)**	(98)
Foreign currency exchange loss	**55,286**	–
Subtotal	**56,601**	5,444

(b) Staff cost

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and other benefits	**180,025**	153,967
Contributions to defined contribution retirement plan	**15,706**	4,723
Equity-settled share-based compensation expenses	**11,123**	20,782
Termination benefits	**1,071**	2,534
Subtotal	**207,925**	182,006

6 Loss before taxation (Continued)

(c) Other items

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Data service costs	**49,168**	39,847
Distribution and marketing expenditures	**135,140**	101,039
Insurance brokerage commission costs	**141,871**	71,508
Depreciation of property, plant and equipment	**9,126**	8,155
Amortisation of intangible assets	**487**	478
Depreciation of right-of-use assets	**30,267**	28,068
Impairment loss		
– Trade receivables and others	**186**	1,748
– Loans	**20**	158
Listing expenses	**29,216**	–
Auditors' remuneration	**1,962**	227

7 Income tax in the consolidated statements of profit or loss

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Current tax		
– PRC Enterprise Income Tax ("EIT") Provision for the period	**104**	–
Deferred tax		
– Origination of temporary differences	**9,007**	(3,334)
	9,111	(3,334)

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

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Loss before taxation	**(3,629,771)**	(90,179)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	**(907,443)**	(22,545)
Tax effect of preferential tax rate	**7,438**	2,410
Super-deduction of research and development expense	**(5,925)**	(5,015)
Tax effect of non-deductible expenses	**(1,071)**	3,105
Fair value changes in redeemable convertible preferred shares and convertible loans not deductible for tax purpose	**924,323**	17,427
Tax effect of tax losses and temporary differences not recognised	**(8,211)**	1,284
Actual income tax expense/(benefit)	**9,111**	(3,334)

Notes:

Cayman Islands

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

Hong Kong

The Company's Hong Kong subsidiaries, incorporated in July 2018, are subject to a profits tax rate of 8.25% for the first HK$2,000,000 of assessable profit and 16.5% for profit exceeding HK$2,000,000. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax for the periods ended June 30, 2021 and 2020.

PRC

Except for Beijing Bairong and Bairong Zhixin (Beijing) Credit Information Co., Ltd. ("Bairong Zhixin") who enjoy a preferential income tax rate, all the other subsidiaries established in the PRC are subject to an income tax rate of 25%, according to the PRC Enterprise Income Tax Law (the "EIT Law") in the periods ended June 30, 2021 and 2020.

A "high and new technology enterprise" ("HNTE") is entitled to a favorable statutory tax rate of 15% and such qualification is reassessed by relevant governmental authorities every three years. In December 2016, Beijing Bairong was qualified as a "high and new technology enterprise" and therefore enjoyed the preferential statutory tax rate of 15% for the period ended November 30, 2019. In December 2019, Beijing Bairong received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% from January 1, 2020 to December 31, 2022. In December 2020, Bairong Zhixin was qualified as a "high and new technology enterprise", which entitled it to the preferential income tax rate of 15% from January 1, 2020 to December 31, 2022.

8 Dividends

During the periods ended June 30, 2021 and 2020, no dividends were declared by the entities comprising the Group to its owners.

9 Basic and diluted loss per share

On March 16, 2021, pursuant to the shareholders' resolution, each existing issued and unissued share of US$0.0001 each in the share capital of the Company were subdivided into 5 shares of US$0.00002 each ("Share Subdivision"). Following the Share Subdivision, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months periods ended June 30, 2021 and 2020 have been retrospectively adjusted.

Basic loss per share is calculated by dividing the net loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the periods ended June 30, 2021 and 2020.

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

	Six months ended June 30,	
	2021	2020
Net loss attributable to equity shareholders of the Company (RMB'000)	**(3,641,887)**	(87,163)
Weighted average number of ordinary shares	**311,049,776**	136,576,765
Basic loss per share attributable to equity shareholders of the Company (in RMB per share)	**(11.71)**	(0.64)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding and reversing the fair value changes and the share-based compensation cost of the dilutive potential ordinary shares to assume conversion of all dilutive potential ordinary shares. For the period ended June 30, 2020, the Company has two categories of potential ordinary shares: preferred shares and share options. After the completion of the IPO on March 31, 2021, the Company has only share options as the sole category of potential ordinary shares. For the periods ended June 30, 2021 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would result in anti-dilution. Accordingly, diluted loss per share for the periods ended June 30, 2021 and 2020 were the same as basic loss per share of the respective periods.

10 Right-of-use assets

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Cost:		
At January 1	**218,082**	223,371
Inception of leases	**19,638**	6,101
Expiration of leases	**(21,732)**	(13,774)
At June 30	**215,988**	215,698
Accumulated depreciation:		
At January 1	**(88,715)**	(55,468)
Charge for period	**(30,267)**	(28,068)
Expiration of leases	**21,732**	13,774
At June 30	**(97,250)**	(69,762)
Net book value:		
At June 30	**118,738**	145,936

11 Investments

	Note	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Non-current			
Financial assets measured at fair value through profit or loss			
– Unlisted equity securities	(i)	**3,542**	3,542
Current			
Financial assets measured at fair value through profit or loss			
– Wealth management products	(ii)	**409,838**	63,005
– Trust plans	(ii)	**60,087**	743,096
Financial assets at amortised cost			
– Fixed coupon note	(iii)	**646,299**	–

Note

(i) The unlisted equity securities as at June 30, 2021 and December 31, 2020 are shares in private companies incorporated in the PRC principally engaged in non-performing loan management service. No dividends were received on these investments during the periods ended June 30, 2021 and December 31, 2020.

(ii) Wealth management products were issued by commercial banks in the PRC, and the trust plans were operated by licensed trust management companies in the PRC.

(iii) The financial assets at amortised cost as at June 30, 2021 was the fixed coupon note which was denominated in USD with fixed coupon rate 0.70%.

12 Derivative financial instruments

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Derivative financial assets	**4,247**	–
Derivative financial liabilities	**(3,908)**	–

The Company entered into several foreign exchange forwards and options to manage the Company's foreign exchange exposure in relation to USD against RMB. These derivative instruments are not designated for hedge purposes and are measured at fair value through profit or loss. To secure such contracts, the Company had deposited an amount of US$18.20 million (equivalent to RMB117.57 million) and recognised it in restricted cash as of June 30, 2021.

13 Trade receivables

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Trade receivables	**264,387**	182,746
Less: loss allowance	**(3,123)**	(2,833)
Trade receivables, net	**261,264**	179,913

13 Trade receivables (Continued)

Ageing analysis

As of June 30, 2021 and December 31, 2020, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Within 3 months (inclusive)	**231,369**	167,478
3 months to 6 months (inclusive)	**22,126**	10,831
6 months to 1 year (inclusive)	**9,168**	2,931
Over 1 year	**1,724**	1,506
Less: loss allowance	**(3,123)**	(2,833)
Trade receivables, net	**261,264**	179,913

14 Trade payables

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Amounts due to third parties	**68,080**	53,136

14 Trade payables (Continued)

As of June 30, 2021 and December 31, 2020, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Within 6 months	**65,266**	48,797
6 months to 1 year	**2,704**	2,837
1 year to 2 years	**110**	1,502
	68,080	53,136

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

15 Accrued expenses and other current liabilities

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Accrued payroll and welfare	**70,720**	84,317
Accrued expenses	**66,334**	39,498
Value Added Tax and surcharges payable	**13,068**	13,650
Deposit received	**2,000**	4,050
Others	**369**	518
Total	**152,491**	142,033

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

16 Lease liabilities

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

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Maturity analysis-contractual undiscounted cash flows		
Within 1 year or on demand	**57,943**	53,855
More than 1 year but less than 2 years	**43,564**	43,223
More than 2 years	**37,117**	51,813
Total undiscounted lease liabilities	**138,624**	148,891
Less: total future interest expenses	**(14,288)**	(17,556)
Present value of lease liabilities	**124,336**	131,335
Lease liabilities included in the consolidated statements of financial position		
Current	**50,476**	44,896
Non-current	**73,860**	86,439
Present value of lease liabilities	**124,336**	131,335

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Amounts recognised in profit or loss		
Interest on lease liabilities	**4,576**	5,542
Amounts recognised in the consolidated cash flow statements		
Total cash flow for leases	**31,213**	32,099

17 Redeemable convertible preferred shares

On November 26, 2014, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 8, 2014, Beijing Bairong issued 511,499 Redeemable Convertible Series A Preferred Shares ("Former Series A Preferred Shares") for an aggregated consideration of RMB50,000,000. On January 25, 2015, as approved by the shareholders, Beijing Bairong converted all of its additional paid in capital to ordinary shares and Series A Preferred Shares, on a pro-rata basis, based upon the numbers of ordinary shares held by each holder of ordinary shares and preferred shares (calculated on an as-converted basis). After the conversion, the number of shares held by Series A Preferred Shareholders was 10,024,590.

On April 4, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on April 23, 2015, Beijing Bairong issued 1,108,443 Redeemable Convertible Series A+ Preferred Shares ("Former Series A+ Preferred Shares") for an aggregated consideration of RMB10,000,000.

On September 11, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 4, 2015, Beijing Bairong issued 8,024,826 Redeemable Convertible Series B Preferred Shares for an aggregated consideration of RMB150,000,000, of which RMB115,289,000 and RMB34,711,000 was received in the year ended December 31, 2015 and 2016, respectively. In addition, Beijing Hongshan Xinyuan Equity Investment Center purchased 2,674,942 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB50,000,000, which were converted to preferred shares ("Sequoia Preferred Shares") on December 4, 2015. The terms of the Sequoia Preferred Shares are identical to that of the Redeemable Convertible Series B Preferred Shares except for its liquidation preference as described in the paragraph headed "Liquidation Preference" of this note.

The 8,024,826 Redeemable Convertible Series B Preferred Shares and 2,674,942 Sequoia Preferred Shares are collectively referred to as "Former Series B Preferred Shares".

On June 3, 2016, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on June 12, 2016, Beijing Bairong issued 7,350,498 Redeemable Convertible Series B+ Preferred Shares for an aggregated consideration of RMB300,000,000. In addition, three other investors purchased 4,042,774 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB110,000,000, which were converted to preferred shares on June 3, 2016. After the conversion, the terms of such preferred shares are identical to that of the Redeemable Convertible Series B+ Preferred Shares, except that such shares are not entitled to liquidation preference.

The 7,350,498 Redeemable Convertible Series B+ Preferred Shares and 4,042,774 Redeemable Convertible Series B+ Preferred Shares are collectively referred to as "Former Series B+ Preferred Shares".

17 Redeemable convertible preferred shares (Continued)

Pursuant to a share purchase agreement with an investor, Beijing Bairong issued 9,309,405 Redeemable Convertible Series C Preferred Shares ("Former Series C Preferred Shares") in February 2018 for an aggregated consideration of RMB506,600,000, of which RMB485,100,000 was received in the year ended December 31, 2018.

On June 27, 2019, the Company issued Series A, A+, B, B+, and C redeemable convertible preferred shares to the same third party investors, effectively exchanging all of their Series A, A+, B, B+, and C redeemable convertible preferred shares of Beijing Bairong into the redeemable convertible preferred shares of the Company. The terms of the preferred shares of the Company substantially mirrored those of the preferred shares of Beijing Bairong. The Series A, A+, B, B+, and C redeemable convertible preferred shares issued in connection with the Reorganisation include 21,927,741 shares issued at par for notional consideration of RMB16,000, and 20,607,737 shares issued for a total notional consideration of RMB889,936,000.

The preferred shareholders issued promissory notes to the Company on June 27, 2019 with notional principal amounts equal to the above total notional consideration of RMB889,952,000. The promissory notes issued by the preferred shareholders served as loan commitments granted by the Company, as Beijing Bairong commits to first pay to the shareholders the cash consideration equal to their investment costs of the preferred shares of Beijing Bairong, which are capped at the notional principal of the promissory notes. Upon drawing down such amounts from Beijing Bairong, the shareholders would be obliged to return such amounts to the Company within 10 business days in the form of repayments for the promissory notes. Though the loans granted under the loan commitment would be interest-free, given that the tenor is within 10 business days, the Company considers the fair value of the loan commitment to be immaterial.

In addition, Company issued 1,837,624 Series C+ redeemable convertible preferred shares to the convertible loan investor of Beijing Bairong on June 27, 2019 upon the conversion of the entire principal of the convertible loan.

As at September 23, 2020, the Company approved the surrender of 395,089 Series C redeemable convertible preferred shares by one of the shareholders.

17 Redeemable convertible preferred shares (Continued)

The key terms of the preferred shares are as follows:

Shareholders' Redemption Rights upon occurrence of specified events

The preferred shares are redeemable by the holders if the Company fails to complete a Qualified IPO prior to a specified no-IPO redemption date or upon occurrence of other specified contingent events. "Qualified IPO" means an initial public offering of the shares of the Company on a stock exchange acceptable to the holders of the preferred shares, provided that the Company's pre-IPO market capitalisation shall be no less than RMB8.5 billion and determined in a manner acceptable to the holders representing at least the majority of the issued and outstanding preferred shares. The initial no-IPO redemption date was September 11, 2020 upon the issue of the preferred shares, and such date was subsequently revised to September 11, 2021 as approved by the holders of the preferred shares on July 6, 2020. In November 13, 2020, the shareholders agreed to further extend such date to July 1, 2022. Upon a redemption triggered by the contingent events stated above, the redemption price shall equal to the following:

(i) for each Series A Preferred Share, Series A+ Preferred Share and Series B Preferred Share redeemed, the Redemption Price shall be 150% of the original issue price, plus any declared but unpaid dividends; or

(ii) for each Series B+ Preferred Share, Series C Preferred Share, Series C+ Preferred Share redeemed, the Redemption Price shall equal to the sum of the original preferred shares issue price, plus an amount accruing daily at 10% of the original preferred shares issue price per annum and all declared but unpaid dividends.

Liquidation Preference

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, holders of the preferred shares shall be entitled to receive a per share amount equal to the higher of (i) and (ii) below.

(i) the original preferred shares issue price for the respective series; and

(ii) the fair market value of the relevant series of preferred shares on the date of liquidation.

Upon completion of the IPO, all preferred rights of the holders of preferred shares will be terminated and the preferred shares will be automatically converted to ordinary shares.

Based on the feature above, the Group designated the above preferred shares as financial liabilities at fair value through profit or loss.

The Group measures each series of the preferred shares at the higher of the present value of the share redemption amount and the fair value as determined using the valuation models as described below.

(Expressed in RMB unless otherwise indicated)

17 Redeemable convertible preferred shares (Continued)

Valuation

The Group applied the discount cash flow method ("DCF method") to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the preferred shares as of December 31, 2020.

The DCF method involves applying appropriate weighted average cost of capital ("WACC"), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability ("DLOM"), which was quantified by the Chaffee's European put options-pricing model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key assumptions are set as below:

	As at December 31, 2020
WACC	15.18%
DLOM	10.00%

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

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

18 Share capital

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

Pursuant to share subscription agreements with the investors on June 27, 2019, the Company issued 22,237,437 ordinary shares to the third party investors of Beijing Bairong for a consideration of RMB177,829,000 (17,171,974 shares were issued at par for a total consideration of RMB3,000, and 5,065,463 shares were issued for a total consideration of RMB177,826,000. The RMB177,826,000 represents the cash consideration the shareholders paid for acquiring the ordinary shares of Beijing Bairong). In addition, the Company approved surrender of 735,050 ordinary shares by one of the co-founders.

The shareholders issued promissory notes to the Company with a total notional principal amount of RMB177,842,000. Under the promissory notes arrangement, the ordinary shareholders could draw an amount equal to their investment cost paid for the ordinary shares of Beijing Bairong from Beijing Bairong, which is capped at the principal amount of the promissory note. After drawing down the amount from Beijing Bairong, such ordinary shareholders are obliged to return such amount to Bairong Inc. to repay the promissory notes within 10 business days. The overall effect of those transactions will be to transfer a certain amount of cash from Beijing Bairong to the Company, with no net impact on cash. The promissory notes are regarded as being conditional with contractual rights to receive money from those shareholders only to the extent those shareholders have received equal amounts from Beijing Bairong first. In substance, the Company has granted a loan commitment to those shareholders. The Company considers the fair value of the short-term loan commitment to be immaterial.

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

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

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

Upon completion of the IPO, each issued preferred share was converted into ordinary shares by re-designation and reclassification on a five for one basis and all the issued preferred shares were re-designated and reclassified as ordinary shares. As a result, the redeemable convertible preferred shares were derecognized and recorded as share capital and share premium.

18 Share capital (Continued)

During the six months ended June 30, 2021, the Company repurchased a total of 2,559,000 ordinary shares that listed on the Stock Exchange of Hong Kong Limited. The total amount to repurchase these ordinary shares was approximately HK$53,803,000, equivalent to RMB45,181,000. As at June 30, 2021, no repurchased ordinary shares have been cancelled. The repurchased shares were recorded as "treasury shares" as at June 30, 2021 at the amount of RMB45,181,000.

19 Other reserves

	Note	Share premium	Share-based compensation reserve	Others	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2019 and January 1, 2020		–	109,993	36,347	146,340
Share-based compensation expenses	(i)	–	20,782	–	20,782
Balance at June 30, 2020		–	130,775	36,347	167,122
Share-based compensation expenses	(i)	–	15,936	–	15,936
Balance at December 31, 2020		**–**	**146,711**	**36,347**	**183,058**
Share-based compensation expenses	(i)	**–**	**11,123**	**–**	**11,123**
Issuance of new ordinary shares	(ii)	**3,198,349**	**–**	**–**	**3,198,349**
Conversion of preferred shares	(iii)	**5,909,896**	**–**	**–**	**5,909,896**
Balance at June 30, 2021		**9,108,245**	**157,834**	**36,347**	**9,302,426**

Notes

(i) Share-based compensation reserve arises from share-based payments granted to employees of the Company, see Note 20 for detail.

(ii) Issuance of new ordinary shares arises from net proceeds from the IPO, see Note 18 for detail.

(iii) Conversion of preferred shares arises from the conversion of redeemable convertible preferred shares, see Note 17 for detail.

20 Share-based compensation

On November 20, 2015, the Board of Directors of Beijing Bairong approved the 2015 Share Plan (the "2015 Plan") for the purpose of providing incentives and rewards to employees and executives who contribute to the success of the Beijing Bairong's operations.

As an entity consolidated by the Beijing Bairong, Bairong Tongchuang is a limited partnership established under the laws of PRC, which owns 12,963,556 shares in the Beijing Bairong as of December 31, 2018 and 2019. Beijing Bairong divided the partnership interest into 12,963,556 virtual shares to match the underlying shares held by Bairong Tongchuang solely for share option plan purpose. Under the 2015 Plan, Beijing Bairong was entitled to grant the total 12,963,556 share options in virtual shares of Bairong Tongchuang to employees, officers, directors and individuals of Beijing Bairong.

Share options granted to an employee under the 2015 Plan will be exercisable upon the employee renders service to Beijing Bairong in accordance with a stipulated service schedule starting from the employee's date of employment. Employees are generally subject to a four-year service schedule commencing from the employees date of employment, under which an employee is entitled to vest in 50% of his option grants for the first two years of completed service and entitled to vest in 25% of his option grants annually thereafter of completed service.

In connection with the Reorganisation and to mirror the number and vesting terms of the options originally granted by Beijing Bairong, the Company adopted a new share incentive plan (the "2019 Plan"), which was approved by the Board of Directors of the Company to replace the previous 2015 Plan. The terms of the new share incentive plan are the same as those under the 2015 Plan.

The exchanges of share options or changes to their terms in conjunction with an equity restructuring such as the Reorganisation are modifications of the share options and the accounting for a modification in conjunction with an equity restructuring requires a comparison of the fair value of the modified awards with the fair value of the original award immediately before the modification. The Group determined that there was no significant incremental fair value before and after the modification, and so no additional cost was recognised in the consolidated financial statements following the Reorganisation.

In August 2019, the shareholders of the Company approved a resolution to extend the expiration dates of all share options granted under the 2015 Plan to ten years after the respective original grant dates of these options. The change in terms of the share incentive plan was accounted for as a modification of the awards, and the Company calculated the incremental compensation cost of the modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified. The incremental compensation cost resulting from the modification was RMB2,944,000. For vested options, the Company recognised the incremental compensation cost when the modification occurred. For unvested options, the Company recognised the sum of the incremental compensation cost and the remaining unrecognised compensation cost for the original awards over the remaining requisite service period after modification.

20 Share-based compensation (Continued)

The Company has adopted the post-IPO share option scheme (the "2021 ESOP") on March 16, 2021 with effect from the initial public offering, which aims to provide grantees with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and shareholders as a whole. As of June 30, 2021, the Company had not granted any share option under the 2021 ESOP.

The Company also has adopted a share award scheme (the "Share Award Scheme") on May 28, 2021 and aims to (a) align the interests of eligible persons with those of the Group through ownership of ordinary shares, dividends and other distributions paid on shares and/or the increase in value of the Company, and (b) encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. As of June 30, 2021, no awards had been granted under the Share Award Scheme.

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

Beijing Bairong granted nil and 20,000 share options to employees, all with an exercise price of RMB1, for the six months ended June 30, 2021 and 2020, respectively. The following table sets forth the share option shares activities under the 2019 Plan for the six months ended June 30, 2021 and 2020. The Company has not grant further options under the 2019 ESOP after the Listing.

(Expressed in RMB unless otherwise indicated)

20 Share-based compensation (Continued)

	Note	Options outstanding	Weighted average exercise price
			RMB
Outstanding at January 1, 2020	(i)	9,566,929	1
Granted	(i)	20,000	1
Exercised	(i)	–	1
Forfeited	(i)	(228,700)	1
Outstanding at June 30, 2020	(i)	9,358,229	1
Outstanding at January 1, 2021	(i)	**9,280,247**	**1**
Granted	(i)	**–**	**1**
Exercised	(i)	**–**	**1**
Forfeited	(i)	**(332,000)**	**0.2-1**
Effect of Share Subdivision	(ii)	**36,692,988**	**0.2**
Outstanding at June 30, 2021		**45,641,235**	**0.2**

20 Share-based compensation (Continued)

Note

(i) The numbers of shares were presented as before the effect of the share subdivision.

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

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

	As at June 30, 2020
Expected volatility	33%
Risk-free interest rate	3.13%-3.28%
Exercise multiple	2
Expected dividend yield	–
Expected term (in years)	10
Fair value of the underlying shares on the date of option grants (per share)	RMB27.00

21 Fair value measurement of financial instruments

Fair value hierarchy

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

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

	As at June 30, 2021 RMB'000	As at December 31, 2020 RMB'000
Level 2		
Assets		
– Derivative financial assets	**4,247**	–
Liabilities		
– Derivative financial liabilities	**(3,908)**	–
Level 3		
Assets		
– Trust plans(i)	**60,087**	743,096
– Wealth management products (i)	**409,838**	63,005
– Unlisted equity securities (ii)	**3,542**	3,542
	473,467	809,643
Liabilities		
– Redeemable convertible preferred shares (iii)	**–**	2,212,631
	–	2,212,631

21 Fair value measurement of financial instruments (Continued)

Fair value hierarchy (Continued)

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

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

(i) Trust plans and wealth management products

The carrying amount of trust plans and wealth management products are measured at fair values in the consolidated statements of financial position as of June 30, 2021 and December 31, 2020. The Group determines the fair value of trust plans and wealth management products by using discounted cash flow models. The unobservable inputs are expected annual return rate fixed in the investment contracts. These expected annual return rates ranged from 2.3% to 5.8% and 2.2% to 5.8% as of December 31, 2020 and June 30, 2021.

As of June 30, 2021 and December 31, 2020, it is estimated that with all other variables held constant, an increase/decrease of expected annual return rate by 1% would have decreased/increased the Group's loss before taxation by RMB4.70 million and RMB8.06 million, respectively.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	**806,101**	545,695
Addition	**3,307,780**	3,734,558
Disposal	**(3,659,676)**	(3,645,636)
Change in fair value	**15,720**	12,989
At the end of the period	**469,925**	647,606

21 Fair value measurement of financial instruments (Continued)

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

(ii) Equity securities

The carrying amount of equity securities are measured at fair value in the consolidated statements of financial position as of June 30, 2021 and December 31, 2020. The Group's equity securities are investments in unlisted companies. The Group determines the fair value by reference to the recent transaction pricing for the entities or similar transactions in similar entities in same industry.

As of June 30, 2021 and December 31, 2020, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decreased/increased the Group's loss before tax by RMB0.04 million and RMB0.04 million respectively.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	**3,542**	3,542
Addition	**–**	–
Change in fair value	**–**	–
At the end of the period	**3,542**	3,542
Net unrealised gains for the period	**–**	–

21 Fair value measurement of financial instruments (Continued)

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

(iii) Redeemable convertible preferred shares

Prior to the completion of the IPO on March 31, 2021, the Group adopted an equity allocation model to estimate the fair value of the redeemable convertible preferred shares at the end of each reporting period (see Note 17).

If the discount rate applied to the cash flow projections had been 1% lower or higher than management's estimation as at June 30, 2020, the value of redeemable convertible preferred shares would exceed its fair value by the amounts listed in table below. There would be no impact for the period ended June 30, 2021 as the redeemable convertible preferred shares had been transferred out of level 3 of fair value hierarchy classifications due to the conversion to ordinary shares upon the completion of the initial public offering.

	As at June 30, 2020 RMB'000
Discount rate decrease 1%	60,799
Discount rate increase 1%	(70,590)

The movements of redeemable convertible preferred shares during the six months period ended June 30, 2021 and 2020 in the balance of these Level 3 fair value measurements are as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	**2,212,631**	2,081,145
Change in fair value	**3,697,294**	69,704
Conversion to ordinary shares	**(5,909,925)**	–
At the end of the period	**–**	2,150,849

22 Commitments

The Group did not have any material capital commitments as of June 30, 2021.

23 Material related party transactions

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

Except for the key management personnel remuneration, there's no material related party transactions during the six months ended June 30, 2021.

(a) Key management personnel remuneration

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,368**	928
Retirement scheme contributions	**44**	16
Share-based payments	**591**	716
Key management personnel remuneration	**2,003**	1,660

24 Contingencies

The Group did not have any material contingent liabilities as of June 30, 2021.

25 Events after the reporting period

The Company repurchased 1,226,000 ordinary shares of the Company from July 2, 2021 to July 23, 2021, representing a total of approximately 0.248% of the issued total shares of the Company as of June 30, 2021. The total considerations were approximately HK$23,268,000.

On August 10, 2021, the Company cancelled all the aforesaid repurchased shares and those repurchased during the six months ended June 30, 2021(see note 18).

Definitions

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

"Company", "our Company", or "the Company"	Bairong Inc., a company with limited liability incorporated in the Cayman Islands on June 21, 2018
"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
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between, among others, the WFOE, the Onshore Holdco and the then Registered Shareholders, as detailed in "Contractual Arrangements" in the Prospectus and as amended, restated, renewed, reproduced or joined from time to time
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhang and the direct and indirect companies through which Mr. Zhang has an interest in the Company, namely Genisage Tech Inc., Genisage Holdings Limited, GeniAI Tech Ltd. and RongXing Trust
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of our Company
"FSP"	financial services provider
"FSP clients"	FSPs to which we provide our products and services, including paying FSPs whom we charge fees and non-paying FSPs who use our basic services free of charge as part of our promotional efforts
"Global Offering"	the public offering of the Company's Class B Shares as defined and described in the Prospectus
"Group", "we" or "us"	the Company, its subsidiaries, and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Key FSP clients"	licenced financial institutions that each contributes more than RMB300,000 total revenue in a given year
"Key FSP client retention rate"	the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months
"Latest Practicable Date"	August 31, 2021
"Listing"	the listing of the Class B Shares on the Main Board
"Listing Date"	March 31, 2021, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Zhang" or "WVR Beneficiary"	Mr. Zhang Shaofeng, our founder, executive Director, chairperson, chief executive officer and Controlling Shareholder, as well as the holder of the Class A Shares entitling him to weighted voting rights

"paid subscription"	In the context of our business, paid subscription by an FSP client in the context of our business means (i) a subscription based on usage, without an initial or recurring fee or (ii) an annual subscription that offers a standardised package with a pre-determined number or unlimited number of requests such FSP client may use during the term of the related service agreement
"paying FSP clients"	FSP clients that had a paid subscription of our products and services and contributed to our revenue since our founding
"PRC Legal Adviser"	Commerce & Finance Law Offices
"Prospectus"	the prospectus of the Company dated March 19, 2021
"Registered Shareholders"	the registered shareholders of the Onshore Holdco from time to time
"Reporting Period"	the six-month period from January 1, 2021 to June 30, 2021
"Reserved Matters"	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles of Association, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of the Company's auditors; and (iv) the voluntary liquidation or winding-up of the Company
"RMB"	Renminbi yuan, the lawful currency of China
"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

"Shares Repurchased"	a total of 2,559,000 Class B Shares repurchased by the Company during the six months ended June 30, 2021 and a total of 1,226,000 Class B Shares repurchased by the Company in July 2021
"Share Schemes"	the 2019 ESOP, the 2021 ESOP and the Share Award Scheme
"Share Award Scheme"	the share award scheme adopted by the Board on May 28, 2021 as amended from time to time
"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"	Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司), a company established in China on August 14, 2018, and a wholly owned subsidiary of our Company
"%"	per cent

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