



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

Interim Report **2021**

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# CORPORATE INFORMATION

## Executive Directors

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

Mr. Ji Kun (冀坤)

Ms. Chau Ka King (周家瓊)

## Non-executive Directors

Mr. Lin Haifeng (林海峰)

Mr. Zhang Yuhan (張予焯)

Mr. Zhao Yongsheng (趙永生)

## Independent non-executive Directors

Mr. Gao Feng (高峰)

Mr. Tan Huay Lim (陳懷林)

Mr. Chen Wei (陳瑋)

## Audit Committee

Mr. Tan Huay Lim (陳懷林) (*Chairman*)

Mr. Gao Feng (高峰)

Mr. Chen Wei (陳瑋)

## Remuneration Committee

Mr. Gao Feng (高峰) (*Chairman*)

Mr. Song Qun (宋群)

Mr. Chen Wei (陳瑋)

## Nomination Committee

Mr. Gao Feng (高峰) (*Chairman*)

Mr. Song Qun (宋群)

Mr. Chen Wei (陳瑋)

## Corporate Governance Committee

Mr. Gao Feng (高峰) (*Chairman*)

Mr. Tan Huay Lim (陳懷林)

Mr. Chen Wei (陳瑋)

## Joint Company Secretaries

Ms. Wang Yihan (王一涵)

Mr. Wong Keith Shing Cheung (王承鐸)

## Authorized Representatives

Mr. Song Qun (宋群)

Mr. Wong Keith Shing Cheung (王承鐸)

## Headquarters and Principal Place of Business in the PRC

Floor 36, CES Building

No. 3099 Keyuan South Road

Nanshan District, Shenzhen, Guangdong, 518063  
PRC

## Principal Place of Business in Hong Kong

40/F, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

## Registered Office

ICS Corporate Services (Cayman) Limited

3-212 Governors Square

23 Lime Tree Bay Avenue

P. O. Box 30746, Seven Mile Beach

Grand Cayman KY1-1203

Cayman Islands

## Auditor

KPMG

*Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*

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

# CORPORATE INFORMATION

## **Legal Advisor**

*As to Hong Kong and U.S. laws*

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

## **Compliance Advisor**

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

## **Hong Kong Share Registrar**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **Principal Share Registrar and Transfer Office**

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

## **Principal Banks**

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

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

## **Stock Code**

9959

## **Company Website**

[www.linklogis.com](http://www.linklogis.com)

# KEY HIGHLIGHTS

## KEY FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Change (%)
	2021 (unaudited)	2020 (unaudited)	
	<i>(RMB in thousands, except percentages)</i>		
Revenue and income from principal activities	<b>526,572</b>	528,188	(0.3)
Supply Chain Finance Technology Solutions	<b>493,554</b>	474,230	4.1
Emerging Solutions	<b>33,018</b>	53,958	(38.8)
Gross profit	<b>406,884</b>	310,433	31.1
Gross margin (%)	<b>77.3</b>	58.8	18.5 <sup>(1)</sup>
Loss for the period attributable to equity shareholders of the Company	<b>(13,033,313)</b>	(288,734)	4,414.0
<i>Non-IFRS measures</i>			
Adjusted profit for the period (non-IFRS)	<b>152,279</b>	83,969	81.4
Adjusted profit margin (non-IFRS) (%)	<b>28.9</b>	15.9	13.0 <sup>(1)</sup>
Adjusted EBITDA (non-IFRS)	<b>286,949</b>	193,819	48.0
Adjusted EBITDA margin (non-IFRS) (%)	<b>54.5</b>	36.7	17.8 <sup>(1)</sup>

Note:

(1) Percentage points

# KEY HIGHLIGHTS

## KEY BUSINESS HIGHLIGHTS

	<b>For the six months ended June 30, 2021</b>	For the year ended December 31, 2020	Change (%)
<b>Total number of partners<sup>(1)</sup></b>			
Anchor enterprise	<b>473</b>	344	37.5
Financial institution	<b>231</b>	202	14.4
<b>Supply Chain Finance Technology Solutions</b>			
Number of anchor enterprise customers	<b>147</b>	108	36.1
Number of financial institution customers	<b>98</b>	85	15.3
Customer retention rate <sup>(2)</sup> (%)	<b>97</b>	99	(2) <sup>(3)</sup>

*Notes:*

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

## KEY HIGHLIGHTS

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

	For the six months ended June 30		Change (%)
	2021	2020	
	<i>(RMB in million)</i>		
<b>Supply Chain Finance Technology Solutions</b>			
<b>(a) Anchor Cloud</b>			
AMS Cloud	<b>33,433.6</b>	45,924.2	(27.2)
Multi-tier Transfer Cloud	<b>17,208.7</b>	5,968.8	188.3
<b>Subtotal (Anchor Cloud):</b>	<b>50,642.3</b>	51,893.0	(2.4)
<b>(b) FI Cloud</b>			
ABS Cloud	<b>18,372.9</b>	15,071.4	21.9
eChain Cloud	<b>28,933.8</b>	4,733.5	511.3
<b>Subtotal (FI Cloud):</b>	<b>47,306.7</b>	19,804.9	138.9
<b>TOTAL:</b>	<b>97,949.0</b>	71,697.9	36.6
<b>Emerging Solutions</b>			
Cross-border Cloud	<b>2,907.1</b>	1,299.4	123.7
SME Credit Tech Solutions	<b>967.6</b>	1,222.3	(20.8)
<b>TOTAL:</b>	<b>3,874.7</b>	2,521.7	53.7

# CHAIRMAN'S STATEMENT

## 2021 Interim Results Summary

In the first half of 2021, our revenue and income from principal activities was RMB526.6 million, which represents a decrease of 0.3% from RMB528.2 million in the first half of 2020. Our gross profit was RMB406.9 million, which represents an increase of 31.1% from RMB310.4 million in the first half of 2020. Our gross profit margin continued to improve, increasing from 58.8% in the first half of 2020 to 63.9% in the second half of 2020, and further to 77.3% in the first half of 2021, mainly because we effectively optimized our product mix, and saw faster growth in segments that have higher gross profit margins. Our adjusted profit increased by 81.4% from RMB84.0 million in the first half of 2020 to RMB152.3 million in the first half of 2021.

On a reported basis, our net loss of RMB13,032.9 million includes a loss of RMB13,086.0 million from fair value changes of financial liabilities measured at fair value through profit or loss under IFRS. This primarily resulted from: (i) changes in the carrying amount of redeemable convertible preferred shares related to pre-IPO investments; and (ii) changes in the carrying amount of ordinary shares with preferential rights held by certain investors related to pre-IPO investments. Fair value changes of financial liabilities measured at fair value through profit or loss will no longer exist after the automatic conversion of our redeemable convertible preferred shares and ordinary shares with preferential rights to ordinary shares upon the Listing and are non-cash in nature and are not directly related to our operating activities.

In the first half of 2021, in our Supply Chain Finance Technology Solutions, the number of anchor enterprise customers was 147, which represents an increase of 36.1% as compared with 2020, and the number of financial institution customers was 98, which represents an increase of 15.3% as compared with 2020. For customer acquisition, we continued to benefit from the “flywheel effect” of our business, where we received referrals from both anchor enterprises and financial institutions. In the first half of 2021, 51% of new customers were referred by our existing customers or partners. As our customers continue to deepen their use of our products, we maintained a high customer retention rate of 97% in the first half of 2021.

The total volume of transactions processed by our Supply Chain Finance Technology Solutions grew 36.6% from RMB71.7 billion in the first half of 2020 to RMB97.9 billion in the first half of 2021.

## Business Review

Linklogis is a leading technology solution provider for supply chain finance in China. Our cloud-native solutions optimize the payment cycle of supply chain transactions and digitalize the entire workflow of supply chain finance. We empower our anchor enterprise and financial institution customers with efficient and reliable supply chain finance technology solutions, which help to enhance transparency and connectivity in the supply chain finance ecosystem and improve the user experience for all parties involved.



## CHAIRMAN'S STATEMENT

In March 2021, the Report on the Work of the Government issued by the State Council of the PRC introduced the need to “innovate supply chain finance service model” for the first time. The national government recognizes the importance of supply chain financing when it comes to solving the financing problems of SMEs. In August 2021, the People’s Bank of China announced its key initiatives for the second half of 2021, which included promoting the integrated development of supply chain, inclusive and green finance, and improving policies that support innovations in technology.

Various regions across China also attach particular importance to the development of supply chain finance. Provinces such as Guangdong, Shandong and Fujian, and municipalities such as Shanghai, have issued policies to promote the development of supply chain finance, encouraging financial institutions and anchor enterprises to leverage artificial intelligence (“AI”), blockchain and other technologies in building their information system.

The digital transformation of anchor enterprises and financial institutions continued to accelerate. We provided a variety of supply chain finance technology solutions to help anchor enterprises efficiently match supply chain assets with financial institutions, providing suppliers – especially SMEs – with convenient and low-cost financing, which has been particularly essential in helping the real economy recover.

In the first half of 2021, while China had significant success in controlling COVID-19 and stimulating economic and social development, the People’s Bank of China adopted a “prudent” and “reasonable and moderate” monetary policy, reversing the relatively loose countercyclical monetary policy that was adopted in the first half of 2020. Our business has been affected by the macro environment and monetary policy, and the growth of our supply chain asset securitization-related business faced challenges. Both the Shanghai Interbank Offered Rate (SHIBOR) and Chinese government bond yields increased as compared with the first half of 2020. The issuance cost of supply chain finance asset securitization increased accordingly, which in turn led to higher financing costs for suppliers.

Meanwhile, as part of the government’s initiatives to effectively reduce financing costs for companies, especially SMEs, the Loan Prime Rate (LPR) was maintained at a relatively low level, which made SMEs more willing to raise funds through direct financing, such as inclusive financing loans. The aforementioned factors led to a significant slowdown in the year-over-year growth of supply chain finance asset securitization in the first half of the year.

## CHAIRMAN'S STATEMENT

In response to these challenges, we proactively promoted the multi-product strategy while increasing our R&D on new products and technologies, diversified the industries that we serve, and positioned ourselves to capture the structural growth opportunities from the digitalization of supply chain finance.

- In the AMS Cloud segment, the demand from anchor enterprises and suppliers for financing through supply chain asset securitization weakened. This is because the suppliers' receivable assets that we process are primarily financed through supply chain asset securitization and this was adversely affected by the rise in money market rates in the first half of the year. As a result, AMS Cloud's transaction volume in the first half of 2021 dropped by 27.2% year-on-year. In order to reduce the impact of monetary policy on the asset securitization-related business, we leveraged the technology and brand awareness of our AMS Cloud platform to launch a "Supply Chain Central Control Platform (供應鏈中控平台)" solution, which is dedicated to help anchor enterprises build their digital capabilities and open up the platform to their business partners and financial institutions. We launched the solution at the end of 2020, and in the first half of 2021, we already started cooperating with many large enterprises, including several leading central state-owned enterprises. We also launched new solutions to serve broader use cases and participants in the supply chain finance. For example, we started to provide commercial bill based financing service and digital supply chain management platforms service for suppliers of anchor enterprises.
- In the Multi-tier Transfer Cloud segment, in the first half of 2021, the total volume of supply chain assets enabled by us increased by 188.3% as compared with the same period in 2020. In addition, we had 71 anchor enterprise customers in this segment during the period, which was 26 more than we had in 2020. We further penetrated into industries such as manufacturing, construction, pharmaceuticals, logistics and transportation, aviation, large-scale retailing, and the auto industry. We have solved the financing problems for many of the long tail SME suppliers of our customers by reaching deep into their supplier networks to provide needed financing. Our one-stop solution allows customer to combine multiple financial products, multiple funding channels, multiple clearing solutions, and interactions across multiple systems under one platform. Apart from software as a service ("**SaaS**") solutions, we also helped build private cloud-based solutions for several large anchor enterprise customers to facilitate their digital transformation. As demand for digital transformation among anchor enterprises continues to grow, it is expected that our Multi-tier Transfer Cloud segment will also grow rapidly, and our one-stop solution will give us a unique competitive advantage.

## CHAIRMAN'S STATEMENT

- In the ABS Cloud segment, the total volume of supply chain assets we processed for our financial institution customers grew by 21.9% year-on-year in the first half of 2021. Apart from the assets processed by the platform being issued in the form of asset-backed securities (“**ABS**”) and asset-backed medium-term notes (“**ABN**”), an increasing number of assets were sold directly to financial institutions, including asset management subsidiaries of insurance companies, wealth management subsidiaries of banks, trust companies, and fund managers. We help a wide range of financial institutions obtain high-quality supply chain assets, and we also help suppliers to broaden their financing channels, improve financing efficiency and reduce financing costs.
- In the eChain Cloud segment, we help enable digital transformation for financial institution customers and improve customer experience. In the first half of 2021, the total volume of supply chain assets processed by eChain Cloud increased significantly year-on-year by 511.3%. Benefiting from favorable policies, more financial institutions provided supply chain financial services to SMEs in digital form. While China's benchmark lending rate, LPR, remained low in the first half of 2021, the direct financing methods represented by commercial banks' inclusive loans, factoring and refactoring that are related to eChain Cloud products were favored. We increased the branch coverage of our existing commercial bank customers to deepen the penetration of our products. Our eChain Cloud segment acquired 12 new customers in the first half of 2021, and our major customers were also extended from commercial banks and trust companies to asset management companies, factoring companies, financial leasing companies, and others. In addition, we extended our product lines to help financial institutions with business expansion, business opportunity analysis and precision marketing analytics for better management of their customer information and data.
- In the Cross-border Cloud segment, we focus on developing two key areas: cross-border supply chain financing services and cross-border trade digitalization. In the first half of 2021, the total volume of supply chain assets processed by the Cross-border Cloud segment increased by 123.7% year-on-year. By integrating technology and data into cross-border trade and providing SMEs with new digital products, we believe we can help SMEs improve their liquidity and enhance the efficiency of their businesses. For example, we added intelligent dynamic discount solutions to help our customers obtain better pricing. In terms of digital products for cross-border trade, we actively responded to a series of new national policies and built an integrated cross-border service platform for SMEs to do cross-border e-commerce and procurement. The platform provides services such as online filing, customs clearance, foreign exchange collection, settlement services and a variety of financial services. We use AI technology to complete trade documents online and blockchain technology to authenticate and transfer electronic bills of lading. This helps us further serve the whole life cycle of needs of anchor enterprises and SMEs when it comes to cross-border trade.

## CHAIRMAN'S STATEMENT

- In the SME Credit Tech Solutions segment, we continued to provide data-driven risk analytics solutions that cover the upstream and downstream SMEs' needs of anchor enterprises. We also controlled the size of self-funded financing transactions. The outstanding amount of self-funded financing transactions enabled by the SME Credit Tech Solutions was RMB282.9 million as of June 30, 2021, dropping by 10.4% from RMB315.8 million as of December 31, 2020.

In the first half of 2021, we further developed new products and solutions to meet the diversified digital needs of our customers when it comes to supply chain finance.

- In the first half of 2021, we launched Bill Cloud solutions under Supply Chain Finance Technology Solutions. Acceptance Bill is an important payment method for anchor enterprises and financing tool for SMEs in China. In 2020, the cumulative amount of bills issued nationwide totaled nearly RMB22 trillion, the cumulative amount of discounted bills totaled RMB13 trillion and the number of SMEs across the country engaging in bill finance was 2.5 million, according to Shanghai Commercial Paper Exchange Corporation. Leveraging the Company's extensive capabilities in AI, blockchain, cloud technology and big data, as well as rigorous and efficient risk identification, control and verification procedures, we effectively addressed the pain points of long inquiries, cumbersome application process, delayed originations and high financing costs in the traditional bill finance business. We help broaden the financing channels and reduce financing costs for a large number of SMEs and strive to support the development of the real economy. In the first half of 2021, the Bill Cloud segment has connected 7 banks. Within our Bill Cloud segment, we are committed to building an intelligent online bill service platform by providing information and technology services for enterprises that support bill discounting, guarantees, and asset management related to supply chain finance.
- In July, 2021, we launched China's first Digital Currency Electronic Payment multi-tier AR transfer project for supply chain financing, using digital RMB for supply chain finance in Shenzhen. Relying on the digital financing service platform of Linklogis, the project allows digital RMB to be applied in a variety of use cases, such as supply chain payment and settlement. Compared with the traditional supply chain payment business, digital RMB payments can be made in real-time with zero fees, which reduces the cost for companies while improving the efficiency of fund flow. In addition, the use of digital RMB allows enterprises to apply analytics in real-time and speed up decision making, and to monitor fund flows and reduce liquidity risk in the whole transaction process.

## CHAIRMAN'S STATEMENT

- We continued to expand the application of blockchain in the fields of supply chain finance and supply chain management. Our blockchain-powered supply chain management platform for aircraft leasing was launched in the first half of 2021. The platform allows users to authenticate and transfer digital assets for physical assets, such as for an aircraft or aircraft parts, and track the usage status and maintenance records of each spare part. Key information that is stored on the blockchain throughout the whole process also allows for valuation, value visualization, and digital asset management in real-time. It also enables lenders to trace the authenticity of leasing transactions. The platform will support all participants along the value chain (OEMs, airlines, etc.) and enable the decentralized management of aviation assets in real time worldwide.

Our Supply Chain Finance Technology Solutions serve a wide range of industries. In the first half of 2021, approximately 25%, 24%, 11%, 10% and 8% of anchor enterprise customers came from the manufacturing, real estate, construction, infrastructure and retail industries, respectively. In terms of the total volume of supply chain asset transactions processed by our solutions, about 45% came from the real estate industry, and mainly related to supply chain asset securitization that were processed by AMS Cloud and ABS Cloud. The Company initially expanded into the real estate industry because the real estate industry occupies an important position in the economy, with a lot of industry players and upstream suppliers across dozens of industries, such as building materials, construction, chemicals and home appliances, and many of the suppliers are SMEs with significant financing needs. As the market developed and became more mature, anchor enterprises from more industries began to participate. Since 2018, the supply chain securitization market in China gradually started to diversify, and in 2020, the market share of supply chain financing assets from the real estate market dropped by a quarter, while the number of anchor enterprises from the real estate market dropped by nearly half.

As a leading supply chain finance technology solution provider in China, we have grown along with the digitalization of China's supply chain finance market. In our early years, anchor enterprises from the real estate industry contributed a relatively high proportion of our asset securitization business. We continue to diversify our business to reduce our exposure in any single industry. At the same time, we have proactively accelerated our overall expansion to customers in other industries. We now serve customers across 15 industries.

In the first half of 2021, we added 52 new customers. Among anchor enterprises, the top three industries for new customers were manufacturing, construction, and wholesale and retail industries, accounting for 23%, 23% and 14% of total new added customers respectively. For example, in the manufacturing industry, we acquired high-quality customers including Tianma Microelectronics, a flat panel displays manufacturer, XCMG, a construction machinery manufacturing company, and Dongfeng Motor, an automobile manufacturer.

## CHAIRMAN'S STATEMENT

We continued to increase our investments in R&D. We increased the number of employees engaged in technology-related work from 397 as of December 31, 2020 to 537 as of June 30, 2021, representing 67.5% of our total workforce. We continuously optimize the customer experience through the automation and digitalization of workflows. For example, in our AMS Cloud segment, 77 of the 85 processes on our SaaS platform that relate to asset processing and verification were supported by AI, which helped us reach an automation rate of 90%. Our technology middle-office platform services also started to bear fruit. Since launching the new platform in February 2021, we have already received 177 million system calls in support of 73 projects up until June 30, 2021. Leveraging our modules and low-code development platform, our R&D capacity continued to improve. In the first half of 2021, we saw an increase of 13% in productivity in terms of number of new releases per R&D staff. The low-code platform is ideal for complex system development of large and medium-sized customers and helps to significantly improve their operating efficiency. Our current module library already includes 1,868 micro-services and 1,397 components.

We continued to improve our underlying technology capabilities. Our artificial intelligence team ranked second at the finance field competition of the 2021 China Conference on Knowledge Graph and Semantic Computing. We launched our Privacy Computing Platform, an independently developed data security collaboration platform that incorporates secure computing, blockchain, big data, and machine learning technologies. We also participated in setting three industry standards for privacy computing and two for blockchain. Our FengBird Cloud big data platform (“蜂鳥雲大數據平台”) obtained certifications for two projects by the China Academy of Information and Communications Technology (CAICT). The platform passed tests for both privacy computing and multi-party secure computing. In the first half of 2021, we filed 40 new patents and 9 new software copyrights, and completed security protection tests of 5 systems.

### **Business Outlook**

With the development of the industrial internet and digital economy, anchor enterprises and financial institutions are increasingly embracing digital supply chain finance. We expect to work closely with them by offering digital solutions and leading technical capabilities for supply chain financing that bring value to all parties, and inject new energy to the development of the real economy.

We will continue to promote innovative digital solutions for supply chain financing, serve a broad variety of customers, help financial institutions provide funding and inclusive financial services for the underserved segments of the economy, support the digital transformation of anchor enterprises and effectively assist them to revitalize the accounts receivable assets of SMEs, solve the financing problems of SMEs, and promote the collaborative development of enterprises across the ecosystem.

## CHAIRMAN'S STATEMENT

In the second half of 2021, for our Anchor Cloud segment, we will continue to optimize our Central Control Platform and promote it to larger enterprises that are committed to building digital financial ecosystems, which should help to enhance the stickiness of our services. Meanwhile, as more anchor enterprises focus on deep-tier suppliers, our Multi-tier Transfer Cloud business will penetrate into more industries. In our FI Cloud business, we will extend the breadth and depth of our customer service across multiple products to meet our customers' digital needs for supply chain financing. We have 47 projects under our pipeline to launch in our Multi-tier Transfer Cloud and eChain Cloud segments. In addition, we will continue to invest in new businesses, such as the enterprise treasury system and Bill Cloud solution.

We expect to see robust demand for anchor enterprise payment and supplier financing in the second half of 2021. As the monetary environment stabilizes, more anchor enterprise customers are expected to look for supply chain financing. In August 2021, the volume of our supply chain asset securitization related business doubled the monthly volume in the first half of 2021. We also bolstered our pipeline, with new asset securitization pre-approved issuance quota under shelf offering of RMB120 billion obtained in the first half of 2021. We will take advantage of market opportunities to drive growth in our supply chain finance technology business in the second half of the year.

In terms of customer expansion, we will continue to lean on and benefit from the “flywheel effect” of our business to acquire new customers. We will expand our direct sales team, increase the number of personnel in our existing sales team, optimize the structure of our sales team, and add new sales teams in more regions in order to provide anchor enterprises and financial institutions with more effective and responsive solutions as well as more attentive service and better customer experience.

For our international business, we have proposed a joint venture with Standard Chartered UK Holdings Limited (“**Standard Chartered**”) to establish Olea, a digital trade financing platform which will be a key growth driver for our internationalization strategy. Olea aims to build a leading international digital trade financing platform that will connect institutional investors globally and provide liquidity support to supply chain participants. By combining our industry-leading digital solutions for supply chain financing with the extensive financial services experience of Standard Chartered Bank, we believe we can fundamentally improve the financing experience for international trade while enhancing transparency and risk management.

### **Mr. Song Qun**

*Chairman and Chief Executive Officer*

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
<b>Revenue and income from principal activities</b>	<b>526,572</b>	528,188
Cost of principal activities	<u>(119,688)</u>	<u>(217,755)</u>
<b>Gross profit</b>	<b>406,884</b>	310,433
Research and development expenses	<b>(120,112)</b>	(48,596)
Sales and marketing expenses	<b>(57,956)</b>	(36,921)
Administrative expenses	<b>(100,013)</b>	(46,574)
Impairment loss	<b>(16,952)</b>	(33,405)
Other net income	<u>45,891</u>	<u>12,860</u>
<b>Profit from operation</b>	<b>157,742</b>	157,797
Finance costs	<b>(75,495)</b>	(78,426)
Share of profit of associates	<b>7,203</b>	7,266
Fair value changes of financial liabilities measured at fair value through profit or loss	<u>(13,085,985)</u>	<u>(354,415)</u>
<b>Loss before taxation</b>	<b>(12,996,535)</b>	(267,778)
Income tax expense	<u>(36,407)</u>	<u>(20,723)</u>
<b>Loss for the period</b>	<u><b>(13,032,942)</b></u>	<u>(288,501)</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(13,033,313)</b>	(288,734)
Non-controlling interests	<u>371</u>	<u>233</u>



# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue and income from principal activities

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

	For the six months ended June 30,		2020	
	2021			
	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>				
<b>Supply Chain Finance</b>				
<b>Technology Solutions</b>				
Anchor Cloud	265,559	50.4	261,689	49.5
FI Cloud	227,995	43.3	212,541	40.2
<b>Subtotal</b>	<b>493,554</b>	<b>93.7</b>	474,230	89.8
<b>Emerging Solutions</b>				
Cross-border Cloud	9,171	1.7	6,085	1.2
SME Credit Tech Solutions	23,847	4.5	47,873	9.1
<b>Subtotal</b>	<b>33,018</b>	<b>6.3</b>	53,958	10.2
<b>Total</b>	<b>526,572</b>	<b>100.0</b>	528,188	100.0

Our total revenue and income decreased by 0.3% from RMB528.2 million for the six months ended June 30, 2020 to RMB526.6 million for the six months ended June 30, 2021.

Our revenue and income from Anchor Cloud increased by 1.5% from RMB261.7 million for the six months ended June 30, 2020 to RMB265.6 million for the six months ended June 30, 2021, which was primarily attributable to the increase in the volume of supply chain assets processed by Multi-tier Transfer Cloud and the increase in revenue from installation fee, offsetting by the decrease of revenue and income resulting from decreased volume of supply chain assets processed by AMS Cloud.

Our revenue and income from FI Cloud increased by 7.3% from RMB212.5 million for the six months ended June 30, 2020 to RMB228.0 million for the six months ended June 30, 2021, which was primarily attributable to the increase in the volume of supply chain assets processed by FI Cloud.

## MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue and income from Cross-border Cloud increased by 50.7% from RMB6.1 million for the six months ended June 30, 2020 to RMB9.2 million for the six months ended June 30, 2021, which was primarily driven by the increase in total volume of supply chain assets processed by Cross-border Cloud, offsetting by a decrease in interest income as we strategically reduced the volume of self-funded transactions.

Our revenue and income from SME Credit Tech Solutions decreased by 50.2% from RMB47.9 million for the six months ended June 30, 2020 to RMB23.8 million for the six months ended June 30, 2021, which was primarily because we have strategically reduced the volume of financing transactions enabled by SME Credit Tech Solutions, especially the self-funded transactions.

### Cost of principal activities

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

	For the six months ended June 30,			
	2021		2020	
	RMB	%	RMB	%
	<i>(In thousands, except for percentages)</i>			
<b>Cost of principal activities</b>				
Sales service fees	71,303	13.5	149,700	28.3
Professional service fees	19,056	3.6	27,410	5.2
Management service fees	14,176	2.7	20,936	4.0
Others	15,153	2.9	19,709	3.7
<b>Total</b>	<b>119,688</b>	<b>22.7</b>	<b>217,755</b>	<b>41.2</b>

Our cost of principal activities decreased by 45.0% from RMB217.8 million for the six months ended June 30, 2020 to RMB119.7 million for the six months ended June 30, 2021, which was primarily attributable to cost-savings from our optimized product mix.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

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

	For the six months ended June 30,			
	2021		2020	
	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %
<i>(In thousands, except for percentages)</i>				
<b>Gross profit and gross profit margin</b>				
Supply Chain Finance Technology				
Solutions	375,272	76.0	267,407	56.4
Emerging Solutions	31,612	95.7	43,026	79.7
<b>Total</b>	<b>406,884</b>	<b>77.3</b>	<b>310,433</b>	<b>58.8</b>

The Group's gross profit increased by 31.1% from RMB310.4 million for the six months ended June 30, 2020 to RMB406.9 million for the six months ended June 30, 2021. The Group's gross profit margin increased from 58.8% for the six months ended June 30, 2020 to 77.3% for the six months ended June 30, 2021. This was primarily attributable to (i) our optimized product mix and increasing proportion of business with a higher gross profit margin; and (ii) our increasing economies of scale and cost-efficiency as our business continued to grow.

## Research and development expenses

The Group's R&D expenses increased by 147.2% from RMB48.6 million for the six months ended June 30, 2020 to RMB120.1 million for the six months ended June 30, 2021, which was primarily attributable to an increase of salaries and other benefits associated with our R&D employees that are not capitalized, amortization of capitalized research and development expenses and share-based compensation in relation to share incentives granted to R&D employees, as a result of our increased headcount.

## Sales and marketing expenses

Our sales and marketing expenses increased by 57.0% from RMB36.9 million for the six months ended June 30, 2020 to RMB58.0 million for the six months ended June 30, 2021, primarily due to an increase of promotion and marketing expenses, consisting primarily of expenses associated with business development and marketing activities, travelling expenses incurred by our sales and marketing employees, and share-based compensation in relation to share incentives granted to sales and marketing employees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative expenses

Our administrative expenses increased by 114.7% from RMB46.6 million for the six months ended June 30, 2020 to RMB100.0 million for the six months ended June 30, 2021, which was primarily attributable to an increase of salaries and other benefits associated with our general and administrative employees, share-based compensation in relation to share incentives granted to general and administrative employees, and listing related expenses associated with the Listing.

## Share-based compensation

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

	For the six months ended June 30,			
	2021		2020	
	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>				
<b>Share-based compensation</b>				
Included in R&D expenses	45,853	54.0	7,993	44.3
Included in sales and marketing expenses	10,834	12.7	1,731	9.6
Included in administrative expenses	28,302	33.3	8,331	46.1
<b>Total</b>	<b>84,989</b>	<b>100.0</b>	<b>18,055</b>	<b>100.0</b>

The Group's share-based compensation increased by 370.7% from RMB18.1 million for the six months ended June 30, 2020 to RMB85.0 million for the six months ended June 30, 2021, which was primarily attributable to an increase in the cost associated with share incentives as a result of an increase in the fair value of the share incentives granted to employees with the approaching of the Global Offering.

## Impairment loss

Our impairment loss, which consists primarily of the impairment on (i) financial assets at amortized cost; (ii) trade and other receivables; and (iii) provisions for guarantee liabilities, decreased by 49.3% from RMB33.4 million for the six months ended June 30, 2020 to RMB17.0 million for the six months ended June 30, 2021, primarily due to a decrease of the amount of financing transactions enabled by our SME Credit Tech Solutions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other net income

Our other net income consists primarily of (i) foreign exchange gains/(losses); (ii) interest income from bank deposits; (iii) investment gains/(losses) from financial investments at fair value through profit or loss; and (iv) government grants. The total amount of other net income increased from RMB12.9 million for the six months ended June 30, 2020 to RMB45.9 million for the six months ended June 30, 2021, which was primarily attributable to the foreign exchange gains resulting from exchanging the Hong Kong dollar into other currencies in the Company.

## Profit from operation

As a result of the foregoing, the Group's profit from operation remained stable from RMB157.8 million in the six months ended June 30, 2020 to RMB157.7 million in the six months ended June 30, 2021.

## Finance costs

Our finance costs decreased slightly by 3.7% from RMB78.4 million for the six months ended June 30, 2020 to RMB75.5 million for the six months ended June 30, 2021, which was primarily attributable to the decrease of interest expenses related to related parties' borrowings as we have repaid the majority of related parties' borrowings in 2020.

## Share of profit of associates

Our share of profit of associates arises from the changes of equity including profits and losses of associates of which the investments are accounted for using equity method in proportion to our equity interests in them. We had share of profit of associates of RMB7.2 million and RMB7.3 million for the six months ended June 30, 2021 and 2020, respectively.

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

Our fair value changes of financial liabilities measured at fair value through profit or loss primarily arises from the change in the carrying amounts of (i) redeemable convertible preferred shares in connection with the investments from investors before the Listing Date; and (ii) the ordinary shares with preferential rights held by certain investors before the Listing Date. We recorded a significant loss on changes in fair value of financial liabilities measured at fair value through profit or loss of RMB13,086.0 million for the six months ended June 30, 2021 as compared to that of RMB354.4 million for the six months ended June 30, 2020, primarily due to a significant increase in the fair value of financial liabilities measured at fair value through profit or loss in the period, taking reference to the offering price of the Class B Shares upon the Listing.

## Income tax expense

We had an income tax expense of RMB36.4 million and RMB20.7 million for the six months ended June 30, 2021 and 2020, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss for the period

As a result of the foregoing, the Group's loss for the period increased from RMB288.5 million for the six months ended June 30, 2020 to RMB13,032.9 million for the six months ended June 30, 2021.

## Non-IFRS measures

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

We believe that these measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted profit for the period, EBITDA and adjusted 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 investors should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

*Reconciliation of loss to adjusted profit for the period:*

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<i>(RMB in thousands)</i>	
<b>Loss for the period</b>	<b>(13,032,942)</b>	(288,501)
<b>Add</b>		
Share-based compensation <sup>(1)</sup>	<b>84,989</b>	18,055
Changes in fair value of redeemable convertible preferred shares and ordinary shares with preferential rights <sup>(2)</sup>	<b>13,085,985</b>	354,415
Listing related expenses <sup>(3)</sup>	<b>14,247</b>	–
<b>Adjusted profit for the period (non-IFRS)</b>	<b>152,279</b>	83,969

# MANAGEMENT DISCUSSION AND ANALYSIS

Reconciliation of loss to EBITDA and adjusted EBITDA for the period:

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<i>(RMB in thousands)</i>	
<b>Loss for the period</b>	<b>(13,032,942)</b>	(288,501)
<b>Add</b>		
Finance costs	<b>75,495</b>	78,426
Income tax expense	<b>36,407</b>	20,723
Depreciation	<b>13,394</b>	9,207
Amortization	<b>16,556</b>	10,338
<b>Less</b>		
Interest income from bank deposits	<b>7,182</b>	8,844
<b>EBITDA (non-IFRS)</b>	<b>(12,898,272)</b>	(178,651)
<b>Add</b>		
Share-based compensation <sup>(1)</sup>	<b>84,989</b>	18,055
Changes in fair value of redeemable convertible preferred shares and ordinary shares with preferential rights <sup>(2)</sup>	<b>13,085,985</b>	354,415
Listing relating expenses <sup>(3)</sup>	<b>14,247</b>	–
<b>Adjusted EBITDA (non-IFRS)</b>	<b>286,949</b>	193,819

Notes:

- (1) Share-based compensation relates to the share options/restricted share units that we granted under our share incentive plan, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (2) Fair value changes of redeemable convertible preferred shares and ordinary shares with preferential rights represent the losses arising from change in fair value of our issued redeemable convertible preferred shares and ordinary shares with preferential rights before the initial public offering of the Class B Shares (the “IPO”), which were recognised as financial liabilities at fair value through profit or loss. Such changes will no longer exist after the automatic conversion of our redeemable convertible preferred shares and ordinary shares with preferential rights to ordinary shares upon the Listing and are non-cash in nature and are not directly related to our operating activities.
- (3) Listing related expenses relates to the Global Offering, which is one-off in nature and not directly related to our operating activities.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Credit exposure

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

The amount of the account receivable assets held may fluctuate from day to day as we continue to engage in warehousing activities. As of March 31, 2021, the account receivable assets held on balance sheet supported by our own capital as of December 31, 2020 in an amount of RMB604.3 million, or 100%, had been subsequently settled or transferred to SPVs. Therefore the average daily amount provides a more meaningful indication of our credit exposure. The average daily amount of account receivable assets held on balance sheet supported by our own capital was RMB826.3 million for the six months ended June 30, 2021. We have no significant concentration of credits risks associated with the account receivable assets held since these supply chain assets are from underlying transactions with a large number of and diversified good credit performance anchor enterprises. For the six months ended June 30, 2021, the amount of account receivable assets relating to the five largest anchor enterprises who bear the payment obligation in the underlying transactions amounted to approximately 11.0% of the total amount of warehoused assets. Historically, we have not experienced any overdue payment or default on the account receivable assets held on our balance sheet.

We have strategically reduced the self-funded transactions in our Emerging Solutions. The outstanding amount of self-funded transactions under Cross-border Cloud was RMB34.5 million as of June 30, 2021, representing a decrease from RMB266.5 million as of December 31, 2020. The outstanding amount of self-funded transactions under SME Credit-tech Solutions was RMB282.9 million as of June 30, 2021, representing a decrease from RMB315.8 million as of December 31, 2020. Our total exposure to covered transactions as of June 30, 2021 was RMB648.6 million. Such exposure arises when we enter into various types of arrangements with financial institutions that protect them against losses on the financing they extend to SMEs. We use the M3+ overdue ratio to monitor the credit performance of self-funded and covered financing transactions. As of June 30, 2021, the M3+ overdue ratio of self-funded and covered financing transactions was 1.8%.

See also “Risk Factors – We are exposed to credit risks associated with certain offerings of our emerging Solutions”, “Risk Factors – We may be subject to risks in connection with the warehoused accounts receivable in the securitization offerings enabled by ABS Cloud” and “Business – Risk Management and Internal Control – Credit Risk Management” in the Prospectus for additional details.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and source of funding

As at June 30, 2021, the Group's cash and cash equivalents significantly increased by RMB3,845.7 million from RMB587.3 million as at December 31, 2020, to RMB4,433.0 million. The increase was primarily attributable to the net proceeds received from the Global Offering of the Company.

## Significant investments

The Group did not make or hold any significant investments during the Reporting Period.

## Material acquisitions and disposals

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

## Pledge of assets

As at June 30, 2021, except for cash at bank amounting to RMB952.9 million pledged for bank borrowings amounting to RMB800.8 million of the Group, the Group had no other pledged assets.

## Subsequent events after the Reporting Period

From July 23, 2021 up to the Latest Practicable Date, the Company repurchased a total of 18,816,000 Class B Shares for consideration of approximately HK\$208.7 million.

The Company has proposed to establish a joint venture (the "**JV Company**") with Standard Chartered. The JV Company is intended to establish Olea, a fully-digitised trade finance origination and distribution platform, which aims to bring together investors seeking opportunities in an alternative asset class with businesses requiring supply chain financing. The proposed establishment of the JV Company is still under process and subject to all the necessary regulatory approvals being obtained.

The Company has been selected and included as a constituent stock of the Hang Seng Composite Index, Hang Seng Large-Mid Cap (Investable) Index and Hang Seng Internet & Information Technology Index, with effect from September 6, 2021.

## Future plans for material investments or capital asset

Save as disclosed in the section headed "Business – Our Growth Strategies" 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 equity, in percentage) was 22.1% (as at December 31, 2020: N/A, as our total equity was negative as of December 31, 2020).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign exchange exposure

During the Reporting Period, the Group mainly operated in China and the majority of the transactions were settled in RMB, which is also the functional currency of the Company's primary consolidated affiliated entities. As at June 30, 2021, except for the bank deposits and intra-group balances denominated in foreign currencies other than the functional currency of the Company, its subsidiaries and consolidated affiliated entities, the Group did not have significant foreign currency exposure from its operations.

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

## Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2021 and December 31, 2020.

## Capital commitment

As at June 30, 2021 and December 31, 2020, the Group had no material capital commitment.

## Employees and remuneration policy

As at June 30, 2021, the Group had a total of 795 employees. The following table sets forth a breakdown of our employees by function as of June 30, 2021.

<b>Division</b>	<b>Number of employees</b>
Research and development	537
Sales and marketing	114
General administration	144
<b>Total</b>	<b>795</b>

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

# CORPORATE GOVERNANCE

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

## **Compliance with the Corporate Governance Code**

Since the Listing Date and up to June 30, 2021, we have complied with all the provisions of the Corporate Governance Code set forth in Appendix 14 to the Listing Rules, save for the following deviation.

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. Song performs both the roles of the chairperson of the Board and the chief executive officer of the Company. Mr. Song is the co-founder of the Group and has extensive experience in the overall strategic planning, business direction and management of our Group. Our Board believes that vesting the roles of both the chairperson and the chief executive officer to Mr. Song has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively.

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 the 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**

The Class B Shares were only listed on the Stock Exchange on April 9, 2021, since which time the Model Code has been applicable to the Company.

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code since the Listing Date up to June 30, 2021.

## **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.

# CORPORATE GOVERNANCE

## ***Audit Committee***

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

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

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

The Audit Committee has reviewed the unaudited interim results and interim report of the Group for the six months ended June 30, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the independent auditor of the Company.

## ***Corporate Governance Committee***

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

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

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

## CORPORATE GOVERNANCE

The following is a summary of work performed by the Corporate Governance Committee during the six months ended June 30, 2021:

- 1) Reviewed the policies and practices of the Company on corporate governance and compliance with legal and regulatory requirements. The policies reviewed include the prevention of insider dealing policy, directors' dealing policy and staff's dealing policy, board diversity policy, shareholders' communication policy, director nomination policy, disclosure of information policy, connected transactions policy, dividend policy and other corporate governance policies.
- 2) Reviewed the Company's compliance with the Corporate Governance Code and the deviation(s) from code provision A.2.1 of the Corporate Governance Code, and the Company's disclosure for compliance with Chapter 8A of the Listing Rules.
- 3) Reviewed the remuneration, the terms of engagement and the appointment of the Company's compliance advisor.
- 4) Reviewed and monitored the management of conflicts of interests between the Group/the Shareholders on one hand and the WVR Beneficiary on the other hand.
- 5) Reviewed and monitored all risks related to the weighted voting rights structure, including connected transactions between the Group/the Shareholders on one hand and the WVR Beneficiary on the other hand.
- 6) Sought to ensure effective and on-going communication between the Company and the Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.
- 7) 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 that it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the beneficiaries of weighted voting rights in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole indiscriminately.

Having reviewed the remuneration and terms of engagement of the compliance advisor, the Corporate Governance Committee confirmed to the Board that it is not aware of any factors that would require it to consider either the removal of the current compliance advisor or the appointment of a new compliance advisor.

## OTHER INFORMATION

### Weighted voting rights

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

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

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

As at June 30, 2021, the WVR Beneficiary was Mr. Song, who indirectly held in 273,171,564 Class A Shares and 4,998,612 Class B Shares, representing approximately 57.12% of the voting rights of the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. Mr. Song held such Class A Shares through Cabnetvic Company Limited ("**Cabnetvic**"), Cabnetwa Company Limited ("**Cabnetwa**") and Cabnetsa Company Limited ("**Cabnetsa**"), and such Class B Shares through Cabnetnt Company Limited ("**Cabnetnt**"), all of which are companies directly wholly-owned by Mr. Song.

Class A Shares may be converted into Class B Shares on a one-to-one ratio. As of June 30, 2021, the Company had not converted any of its issued and outstanding Class A Shares into Class B Shares. As of 30 June, 2021, upon conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 273,171,564 Class B Shares, representing 13.27% of the total number of issued and outstanding Class B Shares or 11.71% of the issued share capital of the Company.

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

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

## OTHER INFORMATION

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

As at June 30, 2021, the interests and 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

#### Interest in the Company

Name of Director or chief executive	Nature of interest	Number and class of Shares	Approximate % of interest in each class of Shares <sup>(1)</sup>
Mr. Song <sup>(2)</sup>	Interest in a controlled corporation	273,171,564 Class A Shares	100.00%
Mr. Song <sup>(2)</sup>	Interest in a controlled corporation	4,998,612 Class B Shares	0.24%
Mr. Ji Kun <sup>(3)</sup>	Interest in a controlled corporation	46,276,800 Class B Shares	2.25%
Mr. Ji Kun <sup>(5)</sup>	Beneficial Owner	3,912,000 Class B Shares	0.19%
Ms. Chau Ka King <sup>(4)</sup>	Interest in a controlled corporation	96,372,000 Class B Shares	4.68%
Ms. Chau Ka King <sup>(5)</sup>	Beneficial Owner	3,120,000 Class B Shares	0.15%



## OTHER INFORMATION

### Notes:

1. The calculation is based on a total number of 273,171,564 Class A Shares and 2,059,153,384 Class B Shares in issue as at June 30, 2021.
2. Mr. Song is deemed to be interested in the total number of Shares held by each of Cabnetvic, Cabnetwa, Cabnetsa and Cabnetnt. Cabnetvic, Cabnetwa, Cabnetsa and Cabnetnt held 226,756,800 Class A Shares, 24,781,164 Class A Shares, 21,633,600 Class A Shares and 4,998,612 Class B Shares, respectively, and are wholly-owned by Mr. Song.
3. Mr. Ji Kun ("**Mr. Ji**") is deemed to be interested in the total number of Class B Shares held by Joy Kalton Company Limited ("**Joy Kalton**"). Joy Kalton held 46,276,800 Class B Shares and is wholly-owned by Mr. Ji.
4. Ms. Chau Ka King ("**Ms. Chau**") is deemed to be interested in the total number of Class B Shares held by Let It Bee Company Limited ("**Let it Bee**"). Let it Bee holds 17,701,200 Class B Shares and is wholly-owned by Ms. Chau. Ms. Chau is also deemed to be interested in the total number of Class B Shares held by Shirazvic Company Limited ("**Shirazvic**"), which is held as to approximately 35.29% by Ms. Chau through Let It Bee. Shirazvic held 78,670,800 Class B Shares.
5. Mr. Ji and Ms. Chau were granted RSUs in respect of 3,912,000 Class B Shares and 3,120,000 Class B Shares, respectively, under the 2019 Equity Incentive Plan.

Save as disclosed above, as at June 30, 2021, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

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

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

Name of substantial Shareholder	Capacity/Nature of interest	Number and class of Shares	Approximate % of interest in each class of Shares
<b>Class A Shares</b>			
Cabnetvic	Beneficial interest	226,756,800	83.01%
Cabnetwa	Beneficial interest	24,781,164	9.07%
Cabnetsa	Beneficial interest	21,633,600	7.92%
<b>Class B Shares</b>			
Tencent Holdings Limited <sup>(1)</sup>	Interest in controlled corporation	342,121,980	16.61%
Tencent Mobility Limited <sup>(1)</sup>	Beneficial interest	317,128,920	15.40%
CITIC Capital Holdings Limited ("CITIC Capital") <sup>(2)</sup>	Interest in controlled corporation	217,980,072	10.59%
CCRE Investment Holdings Ltd. <sup>(2)</sup>	Interest in controlled corporation	184,656,000	8.97%
CITIC Capital MB Investment Limited <sup>(2)</sup>	Interest in controlled corporation	184,656,000	8.97%
Mr. Lin Lijun (林利軍) <sup>(3)(4)</sup>	Interest in controlled corporation	215,898,072	10.48%
Ms. Gong Ruilin (龔瑞琳) <sup>(5)</sup>	Interest of spouse	215,898,072	10.48%
Shanghai Rongmian Information Technology Partnership (Limited Partnership) (上海融勉信息技術合夥企業(有限合夥)) <sup>(3)</sup>	Interest in controlled corporation	187,528,512	9.11%
Shanghai Tanying Investment Partnership (Limited Partnership) (上海檀英投資合夥企業(有限合夥)) <sup>(3)</sup>	Interest in controlled corporation	187,528,512	9.11%
Shanghai Zhengxingu Investment Management Co., Ltd (上海正心谷投資管理有限公司) <sup>(3)</sup>	Interest in controlled corporation	187,528,512	9.11%

## OTHER INFORMATION

Name of substantial Shareholder	Capacity/Nature of interest	Number and class of Shares	Approximate % of interest in each class of Shares
Shanghai Lejin Investment Partnership (Limited Partnership) (上海樂進投資合夥企業(有限合夥)) (“ <b>Shanghai Lejin</b> ”) <sup>(3)</sup>	Interest in controlled corporation	187,528,512	9.11%
Carltonvic Company Limited <sup>(6)</sup>	Beneficial interest	174,618,156	8.48%
Trident Trust Company (HK) Limited <sup>(6)</sup>	Trustee of a trust	174,618,156	8.48%
GIC (Ventures) Pte. Ltd. <sup>(7)</sup>	Interest in controlled corporation	166,620,384	8.09%
GIC Private Limited <sup>(7)</sup>	Interest in controlled corporation	166,620,384	8.09%
GIC Special Investments Private Limited <sup>(7)</sup>	Interest in controlled corporation	166,620,384	8.09%
OWAP Investment Pte Ltd <sup>(7)</sup>	Beneficial interest	166,620,384	8.09%
Tan Linklogis Limited <sup>(3)</sup>	Beneficial interest	134,020,512	6.51%

Notes:

Based on the information available on the relevant disclosure of interest form as at June 30, 2021:

1. Tencent Mobility Limited (“**Tencent Mobility**”), a direct wholly-owned subsidiary of Tencent Holdings Limited (“**Tencent**”), held 317,128,920 Class B Shares. In addition, Double Combo Holding Limited (“**Double Combo**”) held 24,993,060 Class B Shares. Double Combo is an exempt limited liability company, which is ultimately controlled by Tencent. Accordingly, Tencent was deemed to be interested in the total number of Shares held by Tencent Mobility and Double Combo.
2. CCRE Investment Holdings Ltd. (“**CCRE Investment**”) is wholly-owned by CITIC Capital MB Investment Limited, which is in turn wholly-owned by CITIC Capital. Accordingly, each of CITIC Capital MB Investment Limited and CITIC Capital was deemed to be interested in the 184,656,000 Class B Shares held by CCRE Investment. In addition, LLS Holding Limited (“**LLS Holding**”) held 33,324,072 Class B Shares. LLS Holding, an exempted company with limited liability incorporated in Cayman Islands, is ultimately controlled by CITIC Capital. Accordingly, CITIC Capital was deemed to be interested in the total number of Shares held by LLS Holding.

## OTHER INFORMATION

3. Tan Linklogis Limited (“**LVC Tan**”), Le Linklogis Limited (“**LVC Le**”) and Qian Linklogis Limited (“**LVC Qian**”) held 134,020,512, 45,825,600 and 7,682,400 Class B Shares, respectively. Each of LVC Tan, LVC Le and LVC Qian is wholly-owned by Shanghai Rongmian Information Technology Partnership (Limited Partnership) (上海融勉信息技術合夥企業(有限合夥)) (“**Shanghai Rongmian**”), a limited partnership established in the PRC. In addition, Shanghai Tanying Investment Partnership (Limited Partnership) (上海檀英投資合夥企業(有限合夥)) (“**LVC Tanying**”) is a limited partner of Shanghai Rongmian, which holds 71.46% of the interest of Shanghai Rongmian. Shanghai Lejin is a limited partner of LVC Tanying, which holds 99.99% of the interest of LVC Tanying. The general partner of each of Shanghai Rongmian, LVC Tanying and Shanghai Lejin is Shanghai Zhengxingu Investment Management Co., Ltd, (上海正心谷投資管理有限公司) (“**Shanghai LVC**”), Shanghai LVC is in turn wholly-owned by Mr. Lin Lijun (林利軍) (“**Mr. Lin**”). Accordingly, each of Shanghai Rongmian, LVC Tanying, Shanghai Lejin, Shanghai LVC and Mr. Lin was deemed to be interested in the total number of Class B Shares held by LVC Tan, LVC Le and LVC Qian.
4. Loyal Valley Capital Advantage Fund LP (“**LVC LP**”) held 28,369,560 Class B Shares. LVC LP is a limited partnership established in the Cayman Islands and ultimately controlled by Mr. Lin. Accordingly, Mr. Lin was deemed to be interested in the total number of Shares held by LVC LP.
5. Ms. Gong Ruilin (“**Ms. Gong**”) is the spouse of Mr. Lin. Accordingly, Ms. Gong was deemed to be interested in the total number of Shares held by Mr. Lin.
6. Carltonvic Company Limited is a business company incorporated in the British Virgin Islands and a special purpose vehicle wholly-owned by Trident Trust Company (HK) Limited, the trustee of LLS Trust, established for the purpose of holding Shares pursuant to the 2019 Equity Incentive Plan. Accordingly, Trident Trust Company (HK) Limited was deemed to be interested in the total number of Shares held by Carltonvic Company Limited.
7. OWAP Investment Pte Ltd (“**OWAP Investment**”) is a limited liability company incorporated under the laws of Singapore. OWAP Investment is wholly-owned by GIC (Ventures) Pte. Ltd, and managed by GIC Special Investments Private Limited, which is in turn wholly-owned by GIC Private Limited. Accordingly, each of GIC (Ventures) Pte. Ltd., GIC Special Investments Private Limited and GIC Private Limited was deemed to be interested in the total number of Shares held by OWAP Investment.

Save as disclosed above, as at June 30, 2021, to the best knowledge of the Directors, no person (other than the Directors and chief executives of the Company) had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## OTHER INFORMATION

### 2019 Equity Incentive Plan

The 2019 Equity Incentive Plan was approved and adopted on January 24, 2019 and subsequently amended and restated on November 25, 2020. The 2019 Equity Incentive Plan commenced on January 24, 2019 and shall terminate fifteen years later, subject to earlier termination by the administrators appointed by the Board for executing the 2019 Equity Incentive Plan pursuant to the 2019 Equity Incentive Plan. The 2019 Equity Incentive Plan provides for awards of options to subscribe for Shares and receive a grant of RSUs (collectively, the “**Awards**”). The purpose of the 2019 Equity Incentive Plan is to aid our Company and our affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors, or consultants to exert their best efforts on behalf of our Company and our affiliates.

The total number of Class B Shares which may be issued or transferred under the 2019 Equity Incentive Plan is 174,618,156 Class B Shares. As of June 30, 2021, an aggregate of 125,633,898 RSUs in respect of 125,633,898 Shares had been granted to 380 employees (including 5 Directors and members of the senior management of our Company) of our Group pursuant to the 2019 Equity Incentive Plan, representing approximately 5.39% of the issued share capital of our Company. Our Company had not granted further options under the 2019 Equity Incentive Plan after the Listing. The table below shows the details of movements of RSUs granted to the Directors and other employees under the 2019 Equity Incentive Plan during the Reporting Period.

Name	Date of Grant	Vesting Period (subject to other conditions under the 2019 Equity Incentive Plan)	Number of Shares underlying the RSUs outstanding as at the Listing Date	RSUs granted since the Listing Date and up to June 30, 2021	RSUs vested since the Listing Date and up to June 30, 2021	RSUs cancelled since the Listing Date and up to June 30, 2021	RSUs lapsed since the Listing Date and up to June 30, 2021	Number of Shares underlying the RSUs outstanding as at June 30, 2021
<b>Directors</b>								
Mr. Ji Kun	January 1, 2020	4 years	2,934,000	0	0	0	0	2,934,000
Ms. Chau Ka King	January 1, 2020	4 years	2,340,000	0	0	0	0	2,340,000

## OTHER INFORMATION

Name	Date of Grant	Vesting Period (subject to other conditions under the 2019 Equity Incentive Plan)	Number of Shares underlying the RSUs outstanding as at the Listing Date	RSUs granted since the Listing Date and up to June 30, 2021	RSUs vested since the Listing Date and up to June 30, 2021	RSUs cancelled since the Listing Date and up to June 30, 2021	RSUs lapsed since the Listing Date and up to June 30, 2021	Number of Shares underlying the RSUs outstanding as at June 30, 2021
<b>Senior management (other than Directors)</b>								
Mr. Zhong Songran	January 1, 2020	4 years	1,809,000	0	0	0	0	1,809,000
Mr. Li Xiaogang	October 1, 2020	4 years	1,560,000	0	0	0	0	1,560,000
Mr. Zhao Yu	May 5, 2019	4 years	11,250,000	0	3,750,000	0	0	7,500,000
375 other employees of our Group	January 24, 2019 to June 29, 2021	4 years	95,056,044	890,490	0	2,750,400	0	93,196,134

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

## OTHER INFORMATION

### Qualification Requirements

#### *Updates in Relation to the Qualification Requirements*

We engage in (i) developing, operating and maintaining the websites and online platforms for our Supply Chain Finance Technology Solutions and Emerging Solutions; (ii) commercial factoring during the provision of Supply Chain Finance Technology Solutions and SME Credit Tech Solutions; and (iii) asset securitization (the “**Relevant Businesses**”) through our Consolidated Affiliated Entities in the PRC. As disclosed in the Prospectus, we are of the view that the Contractual Arrangements, through which we are able to exercise control over and derive economic benefits from, are narrowly tailored to achieve our business purpose and we have demonstrated genuine efforts to comply with applicable laws and regulations, details of which are disclosed below.

PRC laws restrict foreign ownership of value-added telecommunication services providers (in addition imposing a qualification requirement on the foreign owners). Article 10 of the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”) 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 (the “**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 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.

## OTHER INFORMATION

### *Efforts and Actions Undertaken to Comply with 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 for the purposes of being qualified, as early as possible, to acquire the entire equities in the Information Service Operating Entities when it is possible to do so. 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:

- Linklogis International Company Limited has been incorporated in Hong Kong since March 2019 for the purposes of establishing and expanding our Group's overseas operations;
- our Group has established an overseas website to provide the Cross-border Cloud services to offshore enterprises and is in the process of expanding such cross-border services;
- our Group has entered into business contracts for the Cross-border Cloud services with offshore counterparties; and
- our Group is in the process of registering trademarks outside the PRC for the promotion of our businesses overseas.

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, the Company has been advised by PRC legal advisors 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.



## OTHER INFORMATION

### Purchase, Sale or Redemption of the Company's Listed Securities

None of 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 June 30, 2021.

### Material Litigation

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

### Use of Proceeds from the Global Offering

On April 9, 2021, the Class B Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering were approximately HK\$8,967.0 million (equivalent to RMB7,509.7 million). As at June 30, 2021, approximately RMB2,047.9 million of the net proceeds had been utilized by the Group, of which:

- approximately RMB963.6 million was used for enhancement of our core technology capabilities and development and offer of new technology solutions;
- approximately RMB302.0 million was used for expansion of our cross-border operations and solutions;
- approximately RMB31.3 million was used for enhancement of our capabilities with respect to sales and marketing, business development and brand building; and
- approximately RMB751.0 million was used for replenishment of working capital.

The utilized proceeds as described above were utilized in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The remaining balance of the net proceeds was approximately HK\$6,509.5 million (equivalent to RMB5,461.8 million), placed with banks, as of June 30, 2021. The Group will gradually apply the remaining balance in the manner set out in the Prospectus depending on actual business needs.

### Dividend

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

## OTHER INFORMATION

### Issue of Equity Securities for Cash

The Company completed its Global Offering on the Main Board of The Stock Exchange of Hong Kong Limited on April 9, 2021. An aggregate number of 452,878,500 new Class B Shares with a nominal value of US\$0.00000833 each at an offer price of HK\$17.58 per Class B Share were issued. The over-allotment option as part of the Company's IPO was fully exercised on April 30, 2021, in respect of an aggregate of 67,931,500 Class B Shares being issued at HK\$17.58 per Class B Share.

### Changes in Information of Directors and Chief Executive

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

Mr. Tan Huay Lim ("**Mr. Tan**"), an independent non-executive Director of the Company, has been appointed as an independent non-executive director of SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust listed on the Stock Exchange (stock code: 2191), since April 2021.

Notwithstanding the fact that Mr. Tan currently has independent non-executive directorships with six other listed companies, Mr. Tan confirmed that he will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director in the Company based on the following: (i) his involvement in other listed companies as independent non-executive director primarily requires him to oversee their management independently, rather than allocation of substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) notwithstanding his current engagement as an independent non-executive director of six other listed companies, he has maintained a consistently high attendance in board meetings, meetings of board committees and general meetings of the abovementioned listed companies during the respective relevant financial periods reported in the latest available annual reports; (iii) none of the listed companies that he has directorship engagement with has questioned or complained about his time devoted to such listed companies. Based on the foregoing, the Company believes that Mr. Tan will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director of the Company.

Save as disclosed above, there have been no other changes in the information of Directors and chief executives of the Company since the publication of the Prospectus up to the date of this interim report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# INDEPENDENT REVIEW REPORT



## REVIEW REPORT TO THE BOARD OF DIRECTORS OF LINKLOGIS INC.

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 43 to 86 which comprises the consolidated statement of financial position of Linklogis Inc. (the “Company”) and its subsidiaries (collectively the “Group”) as of 30 June 2021 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

### KPMG

*Certified Public Accountants*

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

30 August 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

(Expressed in RMB'000)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue and income from principal activities	3	526,572	528,188
Cost of principal activities		(119,688)	(217,755)
<b>Gross profit</b>		<b>406,884</b>	310,433
Research and development expenses		(120,112)	(48,596)
Sales and marketing expenses		(57,956)	(36,921)
Administrative expenses		(100,013)	(46,574)
Impairment loss	4(c)	(16,952)	(33,405)
Other net income	5	45,891	12,860
<b>Profit from operation</b>		<b>157,742</b>	157,797
Finance costs	4(a)	(75,495)	(78,426)
Share of profit of associates		7,203	7,266
Fair value changes of financial liabilities measured at fair value through profit or loss	21	(13,085,985)	(354,415)
<b>Loss before taxation</b>		<b>(12,996,535)</b>	(267,778)
Income tax expense	6	(36,407)	(20,723)
<b>Loss for the period</b>		<b>(13,032,942)</b>	(288,501)
<b>Attributable to:</b>			
Equity shareholders of the Company		(13,033,313)	(288,734)
Non-controlling interests		371	233
<b>Loss for the period</b>		<b>(13,032,942)</b>	(288,501)
<b>Other comprehensive income for the period (after tax)</b>			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		(1,704)	–
Exchange differences on translation of financial statements of operations outside the mainland China		(140,600)	9,543
<b>Total comprehensive income for the period</b>		<b>(13,175,246)</b>	(278,958)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
<b>Attributable to:</b>			
Equity shareholders of the Company		(13,175,617)	(279,191)
Non-controlling interests		371	233
<b>Total comprehensive income for the period</b>		<b>(13,175,246)</b>	<b>(278,958)</b>
<b>Basic/diluted loss per share (RMB per share)</b>	7	<b>(11.06)</b>	<b>(0.78)</b>

The accompanying notes on pages 49 to 86 form part of the unaudited interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

(Expressed in RMB'000)

	Note	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		25,166	18,525
Right-of-use assets	8	76,046	49,528
Intangible assets	9	138,889	106,234
Interests in associates		113,095	109,299
Financial assets at fair value through profit or loss	11	2,000	2,000
Prepayments, other receivables and other assets	14	40,882	37,374
Deferred tax assets	20	56,819	60,831
		452,897	383,791
Total non-current assets		452,897	383,791
<b>Current assets</b>			
Financial assets at fair value through other comprehensive income	10	2,051,389	–
Financial assets at fair value through profit or loss	11	2,030,859	1,143,444
Trade receivables	12	243,192	225,175
Financial assets at amortised cost	13	307,662	658,490
Prepayments, other receivables and other assets	14	1,198,351	2,744,185
Restricted cash	15	1,301,537	394,381
Cash and cash equivalents	16	4,432,973	587,337
		11,565,963	5,753,012
Total current assets		11,565,963	5,753,012
<b>Current liabilities</b>			
Trade payables	17	103,961	136,705
Contract liabilities		3,477	707
Borrowings	18	1,530,576	2,696,879
Income tax payables	20	40,503	33,866
Lease liabilities	8	19,360	10,915
Other payables, accruals and other liabilities	19	398,974	887,686
Provisions	22	3,304	1,128
Financial liabilities measured at fair value through profit or loss	21	–	5,640,727
		2,100,155	9,408,613
Total current liabilities		2,100,155	9,408,613

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

	Note	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
<b>Net current assets/(liabilities)</b>		<b>9,465,808</b>	(3,655,601)
<b>Total assets less current liabilities</b>		<b>9,918,705</b>	(3,271,810)
<b>Non-current liabilities</b>			
Borrowings	18	13,036	13,158
Lease liabilities	8	58,376	38,071
Other payables, accruals and other liabilities	19	340	450
Total non-current liabilities		<b>71,752</b>	51,679
<b>Net assets/(liabilities)</b>		<b>9,846,953</b>	(3,323,489)
<b>Equity</b>			
Share capital	23	128	30
Reserves	23	9,840,042	(3,329,931)
<b>Total equity/(deficits) attributable to equity shareholders of the Company</b>		<b>9,840,170</b>	(3,329,901)
<b>Non-controlling interests</b>		<b>6,783</b>	6,412
<b>Total equity/(deficits)</b>		<b>9,846,953</b>	(3,323,489)

Approved and authorised for issue by the board of directors on 30 August 2021.

Director

Director

The accompanying notes on pages 49 to 86 form part of the unaudited interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited

(Expressed in RMB'000)

		Attributable to equity shareholders of the Company									
Note	Share capital RMB'000	Treasury share reserve RMB'000	Share premium RMB'000	Capital reserve RMB'000	General reserve RMB'000	Foreign exchange reserve RMB'000	Accumulated loss RMB'000	Other reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total (deficits)/ equity RMB'000
<b>Balance at 1 January 2021</b>	30	(9)	-	45,878	34,131	(39,540)	(3,370,391)	-	(3,329,901)	6,412	(3,323,489)
(Loss)/profit for the period	-	-	-	-	-	-	(13,033,313)	-	(13,033,313)	371	(13,032,942)
Other comprehensive income for the period	-	-	-	-	-	(140,600)	-	(1,704)	(142,304)	-	(142,304)
Total comprehensive income for the period	-	-	-	-	-	(140,600)	(13,033,313)	(1,704)	(13,175,617)	371	(13,175,246)
Insurance of new shares	23(b)	29	-	7,509,635	-	-	-	-	7,509,664	-	7,509,664
Conversion upon listing	23(c)	69	-	-	18,726,643	-	-	-	18,726,712	-	18,726,712
Settlement of restricted share units		-	-	32,894	(8,571)	-	-	-	24,323	-	24,323
Share-based compensation		-	-	-	84,989	-	-	-	84,989	-	84,989
General reserve	23(d)	-	-	-	-	12,789	(12,789)	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>128</b>	<b>(9)</b>	<b>7,542,529</b>	<b>18,848,939</b>	<b>46,920</b>	<b>(180,140)</b>	<b>(16,416,493)</b>	<b>(1,704)</b>	<b>9,840,170</b>	<b>6,783</b>	<b>9,846,953</b>

		Attributable to equity shareholders of the Company									
Notes	Share capital RMB'000	Treasury share reserve RMB'000	Capital reserve RMB'000	General reserve RMB'000	Foreign exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficits RMB'000		
<b>Balance at 1 January 2020</b>	30	(9)	10,407	41,257	13,495	(2,660,461)	(2,595,281)	4,838	(2,590,443)		
(Loss)/profit for the period	-	-	-	-	-	(288,734)	(288,734)	233	(288,501)		
Other comprehensive income for the period	-	-	-	-	9,543	-	9,543	-	9,543		
Total comprehensive income for the period	-	-	-	-	9,543	(288,734)	(279,191)	233	(278,958)		
Share-based compensation		-	-	18,055	-	-	18,055	-	18,055		
General reserve	23(d)	-	-	-	(22,086)	22,086	-	-	-		
<b>Balance at 30 June 2020</b>	<b>30</b>	<b>(9)</b>	<b>28,462</b>	<b>19,171</b>	<b>23,038</b>	<b>(2,927,109)</b>	<b>(2,856,417)</b>	<b>5,071</b>	<b>(2,851,346)</b>		

The accompanying notes on pages 49 to 86 form part of the unaudited interim financial report.



# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021 – unaudited

(Expressed in RMB'000)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Operating activities</b>		
Cash (used in)/generated from operations	(1,635,654)	176,120
Income tax paid	(25,758)	(10,703)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,661,412)</b>	<b>165,417</b>
<b>Investing activities</b>		
Proceeds from sales of financial investment and interest income of bank deposits	7,397	18,915
Purchase of financial investments at fair value through profit and loss	(32,303)	(35,397)
Purchase of property, plant and equipment, intangible assets and other non-current assets	(59,722)	(30,800)
Payments for investment in associates	–	(7,128)
<b>Net cash used in investing activities</b>	<b>(84,628)</b>	<b>(54,410)</b>
<b>Cash flows from financing activities</b>		
(Increase)/decrease in restricted cash	(729,501)	130,222
Net proceeds from issuance of ordinary shares	7,509,664	–
Net proceeds from settlement of restricted share units	24,323	–
Net (repayments)/proceeds of bank and other financial institution borrowings	(1,167,090)	683,424
Interest paid	(73,312)	(78,318)
Capital element of lease rental paid	(6,859)	(7,264)
Interest element of lease rental paid	(1,518)	(153)
<b>Net cash generated from financing activities</b>	<b>5,555,707</b>	<b>727,911</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,809,667</b>	<b>838,918</b>
Cash and cash equivalents at the beginning of the period	587,337	390,027
Effects of exchange rate changes on cash and cash equivalents	35,969	1,789
<b>Cash and cash equivalents at the end of the period</b>	<b>4,432,973</b>	<b>1,230,734</b>

The accompanying notes on pages 49 to 86 form part of the unaudited interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in RMB'000 unless otherwise indicated)*

## **1 BASIS OF PREPARATION AND GENERAL INFORMATION**

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

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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34, *Interim financial reporting* (“IAS 34”), issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies in the accountants’ report (the “Accountants’ Report”) included in Appendix I to the prospectus of the Company dated 26 March, 2021, 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 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements set out in the Accountants’ Report. 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 IFRSs.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 2 CHANGE IN ACCOUNTING POLICIES

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

- Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform-phase 2

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.

## 3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING

### (a) Revenue and income

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Revenue and income from		
<b>Supply Chain Finance Technology Solutions</b>		
– Anchor Cloud	<b>265,559</b>	261,689
– FI Cloud	<b>227,995</b>	212,541
	<b>493,554</b>	474,230
<b>Emerging Solutions</b>		
– Cross-border Cloud	<b>9,171</b>	6,085
– SME Credit Tech Solutions	<b>23,847</b>	47,873
	<b>33,018</b>	53,958
	<b>526,572</b>	528,188

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING (continued)

### (a) Revenue and income (continued)

#### *Recognition of timing*

Out of the Group's revenue from contracts with customers, RMB13,559,000 and RMB35,827,000 were recognised over time during the six months ended 30 June 2021 and 2020, respectively.

### (b) Segment reporting

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

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

#### – **Anchor Cloud**

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

#### – *FI Cloud*

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

#### – *Cross-border Cloud*

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

#### – *SME Credit Tech Solutions*

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

### **Segment results**

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 3 REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING (continued)

#### (b) Segment reporting (continued)

##### Segment results (continued)

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

	Supply Chain Finance Technology Solutions			Emerging Solutions			Total RMB'000
	Anchor		Subtotal RMB'000	SME Credit		Subtotal RMB'000	
	Cloud RMB'000	FI Cloud RMB'000		Cross-border Cloud RMB'000	Tech Solutions RMB'000		
For the six months ended 30 June 2021							
Revenue and income	265,559	227,995	493,554	9,171	23,847	33,018	526,572
Costs	(93,549)	(24,733)	(118,282)	(624)	(782)	(1,406)	(119,688)
Gross profit	<u>172,010</u>	<u>203,262</u>	<u>375,272</u>	<u>8,547</u>	<u>23,065</u>	<u>31,612</u>	<u>406,884</u>
For the six months ended 30 June 2020							
Revenue and income	261,689	212,541	474,230	6,085	47,873	53,958	528,188
Costs	(120,555)	(86,268)	(206,823)	(547)	(10,385)	(10,932)	(217,755)
Gross profit	<u>141,134</u>	<u>126,273</u>	<u>267,407</u>	<u>5,538</u>	<u>37,488</u>	<u>43,026</u>	<u>310,433</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 4 LOSS BEFORE TAXATION

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

### (a) Finance costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest expenses on		
– bank and other financial institution borrowings	73,977	68,342
– related parties' borrowings (Note 24(b))	–	9,931
– lease liabilities (Note 8(ii))	1,518	153
	<b>75,495</b>	<b>78,426</b>

### (b) Staff costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	96,487	74,086
Contributions to defined contribution scheme (Note)	8,824	935
Share-based compensation	84,989	18,055
	<b>190,300</b>	<b>93,076</b>
Included in:		
– Research and development expenses	93,016	33,975
– Sales and marketing expenses	40,666	29,650
– Administrative expenses	56,618	29,451

Staff costs of RMB45,667,000 and RMB21,682,000 were capitalised in intangible assets for the six months ended 30 June 2021 and 2020 respectively, which amounts are not included in the total amounts disclosed above.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 4 LOSS BEFORE TAXATION (continued)

### (b) Staff costs (continued)

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

Due to the impact of an outbreak of novel coronavirus ("COVID-19"), a number of policies including the relief of social insurance have been promulgated by the government from February 2020 to December 2020 to expedite resumption of economic activities, which contributed to the relief of certain cost of defined contribution scheme during the six months ended 30 June 2020.

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

### (c) Other items

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
Depreciation and amortisation charges		
– amortisation of intangible assets	<b>16,556</b>	10,338
– depreciation of right-of-use assets	<b>9,524</b>	6,605
– depreciation of property, plant and equipment	<b>3,870</b>	2,602
	<b>29,950</b>	19,545
Impairment loss		
– trade and other receivables	<b>(324)</b>	72
– financial assets at amortised cost	<b>15,100</b>	33,333
– provision for guarantee liabilities	<b>2,176</b>	–
	<b>16,952</b>	33,405
Professional service fees	<b>9,140</b>	7,978
Auditors' remuneration	<b>2,121</b>	162
Listing related expenses	<b>14,247</b>	–



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 5 OTHER NET INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest income from bank deposits	7,182	8,844
Investment gains/(losses) from financial investments at fair value through profit or loss	215	(353)
Foreign exchange gains	35,969	1,789
Government grants	2,508	2,632
Others	17	(52)
	<b>45,891</b>	<b>12,860</b>

## 6 INCOME TAX EXPENSE

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

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

In the annual profit tax return of 2020, the Group had chosen one of its subsidiaries to apply such progressive tax rate. Except for this, other subsidiaries of the Group operating in Hong Kong are subject to income tax rate at a rate of 16.5% on assessable profits.

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

- (i) One of the subsidiaries of the Group was recognised as high and new technology enterprises in the year ended 31 December 2019 and, accordingly, was entitled to a preferential income tax rate of 15% for the six months ended 30 June 2021 and 2020.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 6 INCOME TAX EXPENSE (continued)

- (ii) One of the subsidiaries of the Group was recognised as small low-profit enterprise since 2019 and, accordingly, was entitled to a tax relief policy. The portion of annual taxable income amount of a small low-profit enterprise, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Current tax</b>		
PRC corporate income tax	30,264	65,649
Hong Kong profits tax	1,562	–
	<b>31,826</b>	65,649
<b>Deferred tax-PRC Corporate Income Tax</b>		
Origination and reversal of temporary differences	4,581	(44,926)
	<b>36,407</b>	20,723

## 7 BASIC AND DILUTED LOSS PER SHARE

In 22 March 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 12 shares of US\$0.00000833 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 30 June 2021 and 2020 have been retrospectively adjusted.

For the purpose of calculating loss per share, the number of shares used in the calculation excludes treasury shares and ordinary shares which are subject to preferential rights, and has been retroactively adjusted to reflect the outstanding ordinary shares issued to the equity shareholders of the Company.

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 7 BASIC AND DILUTED LOSS PER SHARE (continued)

	Six months ended 30 June	
	2021	2020
Net loss attributable to equity shareholders of the Company (RMB'000)	<b>(13,033,313)</b>	(288,734)
Retrospectively adjusted weighted average number of ordinary shares issued to equity shareholders of the Company	<b>1,178,663,332</b>	370,215,600
Basic loss per share attributable to equity shareholders of the Company (in RMB per share)	<b>(11.06)</b>	(0.78)

Diluted loss per share is calculated by adjusting the retrospectively adjusted weighted average number of ordinary shares issued to the equity shareholders of the Company to assume conversion of all dilutive potential ordinary shares.

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

## 8 LEASES

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

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
<b>Right-of-use assets</b>		
Buildings	<b>76,046</b>	49,528
<b>Lease liabilities</b>		
Current	<b>19,360</b>	10,915
Non-current	<b>58,376</b>	38,071
	<b>77,736</b>	48,986

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 8 LEASES (continued)

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

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

	Office buildings <i>RMB'000</i>
As at 1 January 2021	49,528
Addition	36,042
Charge for the period	(9,524)
As at 30 June 2021	<u>76,046</u>
As at 1 January 2020	8,862
Addition	53,817
Charge for the year	(13,151)
As at 31 December 2020	<u>49,528</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 8 LEASES (continued)

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

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

	As at 30 June 2021		As at 31 December 2020	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Less than 1 year	19,360	22,739	10,915	13,078
After 1 year but within 2 years	18,337	20,798	9,406	11,072
After 2 years but within 5 years	40,039	42,390	28,665	30,049
Subtotal	<u>77,736</u>	<u>85,927</u>	<u>48,986</u>	<u>54,199</u>
Total future interest expenses		<u>(8,191)</u>		<u>(5,213)</u>
Present value of lease liabilities		<u>77,736</u>		<u>48,986</u>

### (ii) The analysis of expense items in relation to leases recognised in profit or lost is as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation charge of right-of-use assets	9,524	6,605
Interest expense on lease liabilities (Note 4(a))	1,518	153
	<u>11,042</u>	<u>6,758</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 9 INTANGIBLE ASSETS

	Self-developed platforms and software <i>RMB'000</i>
<hr/>	
<b>Cost:</b>	
As at 1 January 2021	147,467
Additions	<u>49,211</u>
As at 30 June 2021	----- 196,678
<b>Accumulated amortisation:</b>	
As at 1 January 2021	(41,233)
Charge for the period	<u>(16,556)</u>
As at 30 June 2021	----- ----- (57,789)
<b>Net book value:</b>	
As at 30 June 2021	<u><u>138,889</u></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 9 INTANGIBLE ASSETS (continued)

	Self-developed platforms and software <i>RMB'000</i>
<hr/>	
<b>Cost:</b>	
As at 1 January 2020	82,750
Additions	<u>64,717</u>
As at 31 December 2020	----- 147,467
<b>Accumulated amortisation:</b>	
As at 1 January 2020	(17,669)
Charge for the year	<u>(23,564)</u>
As at 31 December 2020	----- <u>(41,233)</u>
<b>Net book value:</b>	
As at 31 December 2020	<u><u>106,234</u></u>

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Movements of the financial assets at fair value through other comprehensive income were as follows:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
At the beginning of the period/year	–	–
Increase	<b>2,053,661</b>	–
Unrealised changes in fair value	<b>(2,272)</b>	–
At the end of the period/year	<b>2,051,389</b>	–

### 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
	<i>Note</i>	
<b>Non-current</b>		
Unlisted equity investments	<i>(i)</i> <b>2,000</b>	2,000
<b>Current</b>		
Supply chain assets held for sale	<i>(ii)</i> <b>1,637,427</b>	1,009,223
Asset-backed securities	<i>(iii)</i> <b>296,530</b>	68,226
Others	<i>(iv)</i> <b>96,902</b>	65,995
	<b>2,030,859</b>	1,143,444

(i) The unlisted equity investments represented the Group's interests in a supply chain finance service company.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

- (ii) The balance as at 30 June 2021 comprised (1) the supply chain assets held for sale in the FI Cloud of RMB1,374,991,000 (31 December 2020: RMB920,541,000); and (2) accounts receivable arising from Cross-border Cloud of USD40,624,000 (equivalent to approximately RMB262,436,000) (31 December 2020: USD13,580,000, equivalent to approximately RMB88,682,000), which the Group holds temporarily and intends to further transfer out without recourse to the Group.
- (iii) The balance as at 30 June 2021 comprised (1) senior tranches of asset-back securities of RMB225,022,000 (31 December 2020: RMB0); (2) junior tranches asset-back securities of RMB71,508,000 (31 December 2020: RMB68,226,000).
- (iv) The balance as at 30 June 2021 represented the fair value of the Group's investment in a segregated portfolio managed by Go Asset Management Limited ("Go Asset"), which amounted to USD15,000,000 (equivalent to approximately RMB96,902,000) (31 December 2020: USD10,000,000, equivalent to approximately RMB65,995,000).

## 12 TRADE RECEIVABLES

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Service fee receivables	<b>243,401</b>	225,994
Loss allowance	<b>(209)</b>	(819)
	<b>243,192</b>	225,175

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 12 TRADE RECEIVABLES (continued)

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

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Within 3 months (inclusive)	<b>88,216</b>	48,488
3 months to 6 months (inclusive)	<b>43,278</b>	75,073
6 months to 1 year (inclusive)	<b>108,327</b>	99,802
Over 1 year	<b>3,580</b>	2,631
Loss allowance	<b>(209)</b>	(819)
Trade receivables, net	<b>243,192</b>	225,175

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 13 FINANCIAL ASSETS AT AMORTISED COST

### (a) Analysed by nature:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
<b>Gross amount of financial assets at amortised cost</b>		
Assets held by the consolidated trusts (Note)	<b>6,901</b>	37,622
Supply Chain assets from		
– Cross-border Cloud	<b>34,690</b>	316,247
– SME Credit Tech Solutions	<b>282,927</b>	322,793
	<b>317,617</b>	639,040
<b>Gross amount of financial assets at amortised cost</b>	<b>324,518</b>	676,662
<b>Loss allowance</b>		
Assets held by the consolidated trusts	<b>(41)</b>	(774)
Supply Chain assets from		
– Cross-border Cloud	<b>(234)</b>	(2,003)
– SME Credit Tech Solutions	<b>(16,581)</b>	(15,395)
	<b>(16,815)</b>	(17,398)
<b>Carrying amount of financial assets at amortised cost</b>	<b>307,662</b>	658,490

Note: During the six months ended 30 June 2021 and the year ended 31 December 2020, the Group consolidated certain trust plans, because the Group is either the sole beneficiary or the asset service agency which assumes substantially all risks and rewards associated with the trust plans. The underlying investments of the trust plans are financings to small and micro enterprises or their owners. The beneficiaries of the consolidated trust plans are entitled to an expected return, which was recognised as the costs of principal activities of the Group. The Group assessed ECLs on the financial assets held by such trust plans in its consolidated financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 13 FINANCIAL ASSETS AT AMORTISED COST (continued)

- (b) **The Group classifies financial instruments into three stages and makes provisions for expected credit losses (“ECL”) accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.**

The three risk stages are defined as follows:

- Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance.
- Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime ECL is recognised as loss allowance.
- Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime ECL is recognised as loss allowance.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 13 FINANCIAL ASSETS AT AMORTISED COST (continued)

- (b) The Group classifies financial instruments into three stages and makes provisions for expected credit losses (“ECL”) accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition. (continued)

Summarised by stages and allowance for impairment losses:

	As at 30 June 2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Assets held by the consolidated trusts				
Gross amount	6,901	–	–	6,901
Loss allowance	(41)	–	–	(41)
Carrying amount	6,860	–	–	6,860
Supply Chain assets				
Gross amount				
– Cross-border Cloud	34,690	–	–	34,690
– SME Credit Tech Solutions	257,662	7,539	17,726	282,927
	292,352	7,539	17,726	317,617
Loss allowance				
– Cross-border Cloud	(234)	–	–	(234)
– SME Credit Tech Solutions	(1,689)	(1,455)	(13,437)	(16,581)
	(1,923)	(1,455)	(13,437)	(16,815)
Carrying amount	290,429	6,084	4,289	300,802
Total	297,289	6,084	4,289	307,662

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 13 FINANCIAL ASSETS AT AMORTISED COST (continued)

(b) The Group classifies financial instruments into three stages and makes provisions for expected credit losses (“ECL”) accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition. (continued)

	As at 31 December 2020			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Assets held by the consolidated trusts				
Gross amount	36,550	465	607	37,622
Loss allowance	(220)	(99)	(455)	(774)
Carrying amount	36,330	366	152	36,848
Supply Chain assets				
Gross amount				
– Cross-border Cloud	316,247	–	–	316,247
– SME Credit Tech Solutions	307,894	4,827	10,072	322,793
	624,141	4,827	10,072	639,040
Loss allowance				
– Cross-border Cloud	(2,003)	–	–	(2,003)
– SME Credit Tech Solutions	(5,114)	(2,727)	(7,554)	(15,395)
	(7,117)	(2,727)	(7,554)	(17,398)
Carrying amount	617,024	2,100	2,518	621,642
Total	653,354	2,466	2,670	658,490

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 13 FINANCIAL ASSETS AT AMORTISED COST (continued)

### (c) Summarised by overdue days:

	As at 30 June 2021		
	Overdue by 1 to 90 days (inclusive) <i>RMB'000</i>	Overdue by 90 days to 1 year (inclusive) <i>RMB'000</i>	Total <i>RMB'000</i>
Assets held by the consolidated trusts	320	–	320
Supply Chain assets			
– SME Credit Tech Solutions	11,382	17,726	29,108
<b>Total</b>	<b>11,702</b>	<b>17,726</b>	<b>29,428</b>

  

	As at 31 December 2020		
	Overdue by 1 to 90 days (inclusive) <i>RMB'000</i>	Overdue by 90 days to 1 year (inclusive) <i>RMB'000</i>	Total <i>RMB'000</i>
Assets held by the consolidated trusts	951	607	1,558
Supply Chain assets			
– SME Credit Tech Solutions	10,124	10,072	20,196
<b>Total</b>	<b>11,075</b>	<b>10,679</b>	<b>21,754</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 13 FINANCIAL ASSETS AT AMORTISED COST (continued)

(d) The movements of loss allowance of financial assets at amortised cost are as follows:

	As at 30 June 2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January	7,337	2,826	8,009	18,172
Transfer				
Transfer to 12-month ECL	203	(37)	(166)	-
Transfer to lifetime ECL not credit-impaired	(3)	492	(489)	-
Transfer to lifetime ECL credit-impaired	(2,215)	(2,729)	4,944	-
(Release)/charge for the period	(3,105)	1,286	16,919	15,100
Recoveries of amounts previously written off	-	-	-	-
Exchange differences	17	-	-	17
Write-offs	(270)	(383)	(15,780)	(16,433)
As at 30 June	<u>1,964</u>	<u>1,455</u>	<u>13,437</u>	<u>16,856</u>

  

	As at 31 December 2020			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January	7,259	2,330	6,242	15,831
Transfer				
Transfer to lifetime ECL not credit-impaired	(16)	16	-	-
Transfer to lifetime ECL credit-impaired	(503)	(2,321)	2,824	-
Charge for the year	612	2,801	37,165	40,578
Recoveries of amounts previously written off	-	-	87	87
Exchange differences	(15)	-	-	(15)
Write-offs	-	-	(38,309)	(38,309)
As at 31 December	<u>7,337</u>	<u>2,826</u>	<u>8,009</u>	<u>18,172</u>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 14 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Note</i>	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
<b>Non-current</b>			
Loan to a non-controlling shareholder of an associate	(i)	<b>30,000</b>	30,000
Long-term deferred expenses		<b>10,882</b>	7,374
Total		<b>40,882</b>	37,374
<b>Current</b>			
Deposits associated with FI Cloud and SME Credit Tech Solutions		<b>14,207</b>	10,550
Receivables from anchor enterprises	(ii)	<b>1,063,051</b>	2,592,124
Continuing involvement in transferred supply chain assets	19	<b>38,000</b>	28,000
Prepaid expenses for supply chain financing		<b>22,051</b>	60,613
Input value-added-tax ("VAT") to be certified		<b>23,279</b>	28,676
Prepaid software and service expense		<b>1,238</b>	1,223
Others		<b>37,461</b>	23,649
Loss allowance		<b>(936)</b>	(650)
Total		<b>1,198,351</b>	2,744,185

(i) On 24 May 2019, the Group granted a loan amounting to RMB30,000,000 to Hong Kong Han Tou Jin Chuang Investment Management Limited ("Han Tou"), one of the non-controlling shareholders of an associate of the Group. The loan will mature in three years with annual interest rate of 2%, and was pledged by 5.882% of this associate's shares held by Han Tou.

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 15 RESTRICTED CASH

	Note	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Escrow accounts and segregated trust accounts	(i)	344,349	138,801
Pledged deposits	(ii)	952,865	223,364
Segregated bank accounts held by the consolidated trust plans	(iii)	2,492	24,631
Others		1,831	7,585
<b>Total</b>		<b>1,301,537</b>	<b>394,381</b>

- (i) The bank balances with escrow accounts and segregated trust accounts can only be used in specified activities as stipulated in the agreements with counterparties and trust agreements.
- (ii) The balance represented bank deposits pledged for bank borrowings (Note 18).
- (iii) The balance represented the cash deposited in custodian bank which was held by the consolidated trust plans.

## 16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Cash at bank	4,432,952	585,805
Cash at other financial institutions	21	1,532
	<b>4,432,973</b>	<b>587,337</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 17 TRADE PAYABLES

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Expenses payable for issuance of assets-backed securities	<b>102,200</b>	134,552
Others	<b>1,761</b>	2,153
	<b>103,961</b>	136,705

As of 30 June 2021 and 31 December 2020, the carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

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

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Within 3 months (inclusive)	<b>64,273</b>	40,692
Over 3 months	<b>39,688</b>	96,013
	<b>103,961</b>	136,705

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 18 BORROWINGS

	As at 30 June 2021		As at 31 December 2020	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
<b>Bank and other financial institution borrowings</b>				
– Unsecured and unguaranteed	6.0%-11.0%	729,789	6.0%-11.0%	2,447,208
– Pledged and unguaranteed	3.2%-4.1%	800,787	3.3%-3.7%	249,671
		<b>1,530,576</b>		2,696,879
<b>Related parties borrowings</b>				
– Unsecured and unguaranteed	11.0%	13,036	11.0%	13,158
		<b>1,543,612</b>		<b>2,710,037</b>

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

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Within 1 year and included in current liabilities	1,530,576	2,696,879
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	–	–
– After 2 years but within 5 years	–	–
– More than 5 years	13,036	13,158
	<b>1,543,612</b>	<b>2,710,037</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 19 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	<i>Note</i>	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
<b>Non-current</b>			
Deferred income from government grant		<b>340</b>	450
<b>Current</b>			
Payable to anchor enterprises	(i)	<b>254,502</b>	691,774
Payable to trust investors		<b>7,778</b>	50,606
Continuing involvement in transferred supply chain assets	14	<b>38,000</b>	28,000
Accrued payroll and other benefits		<b>29,910</b>	47,421
Accrued listing related expenses		<b>36,141</b>	13,656
Tax and levies		<b>10,591</b>	1,515
Others		<b>22,052</b>	54,714
		<b>398,974</b>	887,686

- (i) Payable to anchor enterprises relates to the securitization transactions enabled by the Group's Supply Chain Finance Technology Solutions and primarily arises in circumstances where the anchor enterprises paid for acquisition of the underlying assets from the suppliers.

## 20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statements of financial position represents:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Corporate income tax	<b>40,503</b>	33,866

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

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

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

Deferred tax arising from:	Loss allowance RMB'000	Changes in fair value of financial instruments RMB'000	Tax losses RMB'000	Accrued expenses RMB'000	Amortisation charge of intangible assets RMB'000	Depreciation charge of right-of-use assets RMB'000	Total RMB'000
As at 1 January 2021	22,204	(10,381)	2,501	40,036	2,810	3,661	60,831
Credited/(charged) to profit or loss and other comprehensive income	1,256	324	1,515	(7,976)	452	417	(4,012)
As at 30 June 2021	<u>23,460</u>	<u>(10,057)</u>	<u>4,016</u>	<u>32,060</u>	<u>3,262</u>	<u>4,078</u>	<u>56,819</u>
As at 1 January 2020	3,976	(1,420)	15,205	28,742	1,216	188	47,907
Credited/(charged) to profit or loss	18,228	(8,961)	(12,704)	11,294	1,594	3,473	12,924
As at 31 December 2020	<u>22,204</u>	<u>(10,381)</u>	<u>2,501</u>	<u>40,036</u>	<u>2,810</u>	<u>3,661</u>	<u>60,831</u>

#### (c) Deferred tax assets and liabilities not recognised:

The Group has not recognised deferred tax assets in respect of unused tax losses of subsidiaries as it is not probable that sufficient future taxable profits will be available against which unused tax losses can be utilised. Based on management's assessment, the Group did not recognise deferred income tax assets of RMB9,393,000 and RMB4,214,000 in respect of losses amounting to RMB37,854,000 and RMB19,753,000 that can be carried forward against future taxable income as of 30 June 2021 and 31 December 2020.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 21 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The movements of carrying amounts of convertible redeemable preferred shares and the ordinary shares with preferential rights are set out as below:

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
At the beginning of the period/year	<b>5,640,727</b>	4,778,804
Fair value changes	<b>13,085,985</b>	861,923
Conversion into ordinary shares	<b>(18,726,712)</b>	–
At the end of the period/year	<b>–</b>	5,640,727

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

Changes in fair value of convertible redeemable preferred shares and the ordinary shares with preferential rights were recorded in “fair value changes of financial liabilities measured fair value change through profit or loss” in the consolidated statement of profit or loss and other comprehensive income.

The balance of the convertible redeemable preferred shares and the ordinary shares with preferential rights were transferred to share capital and share premium of the Company on the Listing Date.

### 22 PROVISION

In connection with the Group’s solutions, the Group enters into various types of arrangements with financial institutions that protect them against losses on the financing they extend to SMEs. These arrangements include the Group’s undertaking to acquire the right as the financiers from the financial institutions in the event of a default or late payment by the SMEs. As at 30 June 2021, the maximum exposure to such transactions was RMB648.6 million (as at 31 December 2020: RMB170.2 million).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 23 CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Ordinary shares	<b>128</b>	30

- (i) Prior to the completion of the Global Offering on 9 April 2021, authorised share capital of the Company with a par value of US\$0.0001 each (whether issued or unissued) was subdivided into 12 shares of the corresponding class with a par value of US\$0.00000833 each. As a consequence, the issued share capital of the Company was US\$15,095.9579 divided into 273,171,564 class A shares with a par value of US\$0.00000833 each and 1,538,343,384 class B shares with a par value of US\$0.00000833 each.
- (ii) Upon completion of the IPO, the Company issued 520,810,000 new shares pursuant to the Global Offering and full exercise of the over-allotment option, at par value of US\$0.00000833 each for cash consideration of HK\$17.58 each.

### (b) Insurance of new shares

Upon completion of the IPO, the share premium arising from the issuance was approximately RMB7,509,635,000. The share issuance costs paid and payable mainly include underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which incremental costs directly attributable to the issuance of the new shares and were treated as a deduction against the share premium arising from the issuance.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 23 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Conversion upon listing

All convertible redeemable preferred shares and the ordinary shares with preferential rights were converted into class B ordinary shares upon completion of the IPO on 9 April 2021 with a par value of US\$0.00000833. The capital reserves arising from the conversion was approximately RMB18,726,643,000.

### (d) General reserve

Pursuant to the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening Supervision and Administration of Commercial Factoring Enterprises which was promulgated in October 2019, factoring companies should accrue a general reserve not less than 1% of the closing balance of the supply chain assets. As at 30 June 2021, the general reserve amounted to RMB46,920,000 respectively (31 December 2020: RMB34,131,000).

### (e) Dividends

No dividends have been paid or declared by the Company for the six months ended 30 June 2021 and 2020.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 24 RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	6,994	8,040
Contributions to defined contribution scheme	94	50
Share-based compensation	6,375	12,953
Key management personnel remuneration	<b>13,463</b>	<b>21,043</b>

### (b) Related parties transactions

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Charged by related parties</b>		
– Software system use and service payment	1,955	1,651
– Interest expense	–	9,931
– Expenses paid for issuance of assets-backed securities	–	3,735
– Funding cost	–	9
	<b>1,955</b>	<b>15,326</b>
<b>Charging to related parties</b>		
– Supply chain financing services revenue	<b>2,671</b>	<b>361</b>

### (c) Balance with related parties

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
	<b>Trade related</b>	
Trade payables	–	3,334
<b>Non trade related</b>		
Borrowings	<b>13,036</b>	<b>13,158</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 25 FAIR VALUES OF FINANCIAL INSTRUMENTS

### (i) Financial assets and liabilities measured at fair value

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

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

Fair value hierarchy:

	As at 30 June 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Unlisted equity investment	–	–	2,000	2,000
Supply chain assets held for sale	–	–	1,637,427	1,637,427
Asset-backed securities	–	–	296,530	296,530
Others	–	–	96,902	96,902
<b>Financial assets at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>2,032,859</b>	<b>2,032,859</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>2,051,389</b>	<b>2,051,389</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (i) Financial assets and liabilities measured at fair value (continued)

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investment	–	–	2,000	2,000
Supply chain assets held for sale	–	–	1,009,223	1,009,223
Asset-backed securities	–	–	68,226	68,226
Others	–	–	65,995	65,995
<b>Financial assets at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>1,145,444</b>	<b>1,145,444</b>
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>5,640,727</b>	<b>5,640,727</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
<b>Unlisted equity investment</b>		
At the beginning of the period/year	2,000	20,849
Payment for purchase	–	2,000
Net unrealised gains recognised in profit or loss during the period/year	–	–
Disposals	–	(20,849)
At the end of the period/year	<b>2,000</b>	2,000
<b>Supply chain assets held for sale</b>		
At the beginning of the period/year	1,009,223	1,310,443
Payment for purchase	28,613,249	29,930,179
Net unrealised gains recognised in profit or loss during the period/year	(12,969)	15,295
Transfer and settlement	(27,972,076)	(30,246,694)
At the end of the period/year	<b>1,637,427</b>	1,009,223
<b>Asset-backed securities</b>		
At the beginning of the period/year	68,226	26,836
Payment for purchase	340,000	43,000
Net unrealised gains recognised in profit or loss during the period/year	13,986	26,226
Transfer and settlement	(125,682)	(27,836)
At the end of the period/year	<b>296,530</b>	68,226
<b>Others</b>		
At the beginning of the period/year	65,995	–
Payment for purchase	30,907	65,249
Net unrealised gains recognised in profit or loss during the period /year	–	746
At the end of the period/year	<b>96,902</b>	65,995
Total net unrealised gains for the period included in the profit or loss for assets held at each period end of the periods	<b>1,017</b>	42,267

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The movement of financial assets at fair value through other comprehensive income refer to Note 10 Financial assets at fair value through other comprehensive income.

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

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

Financial assets at fair value through profit or loss

The Group determines the fair value of unlisted equity investment, supply chain assets held for sales, the asset-backed securities and other investment portfolio by using discounted cash flow model. The significant unobservable inputs are the risk-adjusted discount rates, which ranged from 1.74% to 9.03% and from 2.40% to 11.69% as of 30 June 2021 and 31 December 2020.

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

	<b>As at 30 June 2021 RMB'000</b>	As at 31 December 2020 RMB'000
Fair value changes of financial assets at fair value through profit or loss		
Discount rate decrease 1%	<b>(5,686)</b>	(1,416)
Discount rate increase 1%	<b>5,611</b>	1,399

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

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30 June 2021 and 31 December 2020.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 26 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

From 23 July 2021 to 29 July 2021, the Company has totally repurchased 11,681,000 class B ordinary shares with a consideration of approximately HK\$139,283,000.

The Company has proposed to establish a new company together with Standard Chartered UK Holdings Limited (“Standard Chartered”). The new company is intended to establish a fully-digitised trade finance origination and distribution platform named “Olea”, which aims to bring together investors seeking opportunities in an alternative asset class with businesses requiring supply chain financing. The proposed establishment of the new company is still under process and subject to all the necessary regulatory approvals being obtained.

## DEFINITIONS

<b>“2019 Equity Incentive Plan”</b>	the equity incentive plan approved and adopted on January 24, 2019 and subsequently amended and restated on November 25, 2020, the principal terms of which are set out in “Statutory and General information - D. Equity Incentive Plan” in Appendix IV to the Prospectus
<b>“Articles of Association”</b>	the articles of association of the Company, as amended from time to time
<b>“Board”</b>	the board of Directors
<b>“China” or “PRC”</b>	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
<b>“Class A Share(s)”</b>	class A ordinary share(s) in the share capital of our Company with a par value of US\$0.00000833 each, conferring weighted voting rights in our Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
<b>“Class B Share(s)”</b>	class B ordinary share(s) in the share capital of our Company with a par value of US\$0.00000833 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Company”, “our Company”, or “the Company”</b>	Linklogis Inc. (formerly known as Linklogis Financial Holdings Inc.), a company with limited liability incorporated in the Cayman Islands on March 13, 2018
<b>“Consolidated Affiliated Entity(ies)”</b>	Onshore Holdco and its subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements



## DEFINITIONS

<b>“Contractual Arrangement(s)”</b>	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
<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Song and the direct and indirect companies through which Mr. Song has an interest in the Company, namely Cabnetvic Company Limited, Cabnetwa Company Limited, Cabnetsa Company Limited and Cabnetnt Company Limited
<b>“Corporate Governance Code”</b>	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
<b>“Director(s)”</b>	the director(s) of our Company
<b>“Global Offering”</b>	the public offering of the Company’s Class B Shares as defined and described in the Prospectus
<b>“Group”, “Linklogis”, “we” or “us”</b>	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
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“IFRS”</b>	International Financial Reporting Standards, as issued by the International Accounting Standards Board
<b>“Information Service Operating Entities”</b>	Shenzhen Qianhai Weq Block Chain Technology Co., Ltd., Shenzhen Qianhai Huanrong Lianyi Information Technology Co., Ltd., and Wuhan Linklogis Technology Information Co., Ltd., which are principally engaged in developing, operating and maintaining the websites and online platforms for our Supply Chain Finance Technology Solutions and Emerging Solutions
<b>“Latest Practicable Date”</b>	23 September 2021, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information
<b>“Listing”</b>	the listing of the Class B Shares on the Main Board

## DEFINITIONS

<b>“Listing Date”</b>	April 9, 2021, the date on which the Shares were listed on the Stock Exchange
<b>“Listing Rules”</b>	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
<b>“MIIT”</b>	Ministry of Industry and Information Technology of the PRC
<b>“Main Board”</b>	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
<b>“Mr. Song” or “WVR Beneficiary”</b>	Mr. Song Qun, our founder, executive Director, chairman of the Board, chief executive officer and Controlling Shareholder, as well as the holder of the Class A Shares entitling him to weighted voting rights
<b>“Onshore Holdco” or “variable interest entity”</b>	Linklogis Digital Technology Group Co., Ltd. (聯易融數字科技集團有限公司), a limited liability company established in Shenzhen, the PRC on February 5, 2016 and one of our Consolidated Affiliated Entities
<b>“Prospectus”</b>	the prospectus of the Company dated March 26, 2021
<b>“Registered Shareholders”</b>	the registered shareholders of the Onshore Holdco from time to time
<b>“Reporting Period”</b>	the six months ended June 30, 2021
<b>“Reserved Matters”</b>	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
<b>“RMB”</b>	Renminbi yuan, the lawful currency of China

## DEFINITIONS

<b>“RSU”</b>	a restricted share unit award to be granted to a participant under the 2019 Equity Incentive Plan
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	the Class A Shares and Class B Shares in the share capital of our Company
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary” or “subsidiaries”</b>	has the meaning ascribed thereto in section 15 of the Companies Ordinance
<b>“United States” or “U.S.”</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“US\$”</b>	United States dollars, the lawful currency of the United States
<b>“weighted voting rights” or “WVR”</b>	has the meaning ascribed to it under the Listing Rules
<b>“WFOE”</b>	Linklogis Supply Chain Services (Shenzhen) Co., Ltd. (聯易融供應鏈服務(深圳)有限公司), a limited liability company established in Shenzhen, the PRC on July 24, 2018 and a wholly-owned subsidiary of our Company
<b>“%”</b>	per cent

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