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Bairong Inc.

百融雲創

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

(Stock Code: 6608)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Bairong Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended June 30, 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020. These interim results have been reviewed by the Company’s audit committee.

HIGHLIGHTS

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

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

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

BUSINESS REVIEW AND OUTLOOK

Business review for the Reporting Period

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

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

- As of June 30, 2021, among more than 5,100 FSP clients we served, we cumulatively had 2,876 paying FSP clients that had a paid subscription for our products and services, representing an increase of 10.5% as compared with 2,602 paying FSP clients as of December 31, 2020.
- We define "Key FSP clients" as licenced financial institutions that each contribute more than RMB300,000 total revenue in a given calendar year. We had 237 Key FSP clients in 2020, 210 of which were still our paying FSP clients in the first half of 2021, representing a retention rate of 89%.
- In the first half of 2021, 177 of our paying FSP clients were Key FSP clients, increasing 20.1% as compared with 147 in the first half of 2020, and the APRU increased by 24.7% to RMB3.53 million.

The Company was successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on March 31, 2021 (the “**Listing Date**”), enabling the Company to enter into the international capital markets and also providing funds for the long-term development of the Company to grasp development opportunities in the industry, details as set out in the prospectus of the Company dated March 19, 2021 (the “**Prospectus**”).

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

Business outlook

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue

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

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

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

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

Cost of sales

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

Gross profit and gross margin

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

Research and development expenses

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

General and administrative expenses

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

Sales and marketing expenses

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

Other income

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

Net finance costs

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

Changes in fair value of redeemable convertible preferred shares

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

Income tax (expense)/benefit

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

Loss for the period

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

Non-IFRS Measures

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

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

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

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

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

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

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

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

Notes:

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

Liquidity and source of funding and borrowing

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

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

Significant Investments

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

Material acquisitions and disposals

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

Pledge of assets

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

Future plans for material investments or capital asset

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

Gearing ratio

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

Foreign exchange exposure

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

Contingent liabilities

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

Capital commitment

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

Employees and remuneration

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

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

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

The Company also has adopted a post-IPO share option scheme and a share award scheme.

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 Code on Corporate Governance Practices

After the Listing, we have complied with all the code provisions set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) (the “**Corporate Governance Code**”), save for the following.

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

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

Compliance with the Model Code for Securities Transactions by Directors

The class B ordinary shares (“**Class B Shares**”) were only listed on the Stock Exchange on March 31, 2021, since which time the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) has been applicable to the Company.

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

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

Audit committee

The Group has established an audit committee comprising of 3 members, being Mr. Zhou Hao, Mr. Bai Linsen and Professor Chen Zhiwu, with Mr. Zhou Hao (being the Group’s independent non-executive Director with the appropriate professional qualifications) as chair of the audit committee.

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

OTHER INFORMATION

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

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

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange since the Listing Date and up to the date of this announcement.

Material litigation

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

Dividends

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

Use of proceeds from global offering

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

Events after the Reporting Period

Save as disclosed in this announcement, there were no other significant events that might affect the Group after the Reporting Period.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of profit or loss

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

Expressed in Renminbi (“RMB”)

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

Consolidated statement of profit or loss and other comprehensive income
for the six months ended June 30, 2021 (unaudited)
Expressed in RMB

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

Consolidated statement of financial position
at June 30, 2021 (unaudited)
Expressed in RMB

	<i>Note</i>	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		36,663	36,947
Intangible assets		29,739	30,091
Right-of-use assets		118,738	129,367
Goodwill		34,054	34,054
Financial assets at fair value through profit or loss		3,542	3,542
Deferred tax assets		3,565	12,575
Restricted cash		5,722	5,722
		<u>232,023</u>	<u>252,298</u>
Current assets			
Prepaid expenses and other current assets		54,754	41,166
Financial assets at fair value through profit or loss		469,925	806,101
Financial assets at amortised cost		646,299	–
Derivative financial assets	<i>8</i>	4,247	–
Loans receivable		189	6,351
Trade receivables	<i>9</i>	261,264	179,913
Restricted cash	<i>8</i>	117,574	–
Cash and cash equivalents		2,781,364	41,949
		<u>4,335,616</u>	<u>1,075,480</u>
Current liabilities			
Trade payables	<i>10</i>	68,080	53,136
Contract liabilities		34,703	39,868
Derivative financial liabilities		3,908	–
Lease liabilities		50,476	44,896
Accrued expenses and other current liabilities		152,491	142,033
		<u>309,658</u>	<u>279,933</u>
Net current assets		<u>4,025,958</u>	<u>795,547</u>
Total assets less current liabilities		<u>4,257,981</u>	<u>1,047,845</u>

Consolidated statement of financial position (continued)
at June 30, 2021 (unaudited)
Expressed in RMB

	As at June 30, 2021 <i>RMB'000</i>	As at December 31, 2020 <i>RMB'000</i>
Non-current liabilities		
Redeemable convertible preferred shares	–	2,212,631
Lease liabilities	73,860	86,439
Deferred tax liabilities	5,843	5,847
	<u>79,703</u>	<u>2,304,917</u>
NET ASSETS/(LIABILITIES)	<u>4,178,278</u>	<u>(1,257,072)</u>
Equity		
Share capital	64	19
Treasury shares	(45,181)	–
Reserves	4,202,644	(1,274,837)
Total equity attributable to equity shareholders of the Company	4,157,527	(1,274,818)
Non-controlling interests	20,751	17,746
TOTAL EQUITY/(DEFICIT)	<u>4,178,278</u>	<u>(1,257,072)</u>

Consolidated statement of cash flows
for the six months ended June 30, 2021 (unaudited)
Expressed in RMB

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	94,265	30,953
Net cash used in investing activities	(420,806)	(102,280)
Net cash generated from/(used in) financing activities	3,121,242	(32,099)
Net increase/(decrease) in cash and cash equivalents	2,794,701	(103,426)
Cash and cash equivalents at the beginning of the period	41,949	150,917
Effect of foreign exchange rate changes	(55,286)	–
Cash and cash equivalents at the end of the period	2,781,364	47,491

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

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

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

2 Changes in accounting policies

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

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

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

3 Revenue

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

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

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

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

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

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

4 Loss before taxation

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

(a) *Net finance costs*

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

(b) *Staff cost*

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

(c) *Other items*

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

5 Income tax expense/(benefit)

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

6 Basic and diluted loss per share

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

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

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

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

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

7 Dividends

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

8 Derivative financial instruments

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

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

9 Trade receivables

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

Ageing analysis

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

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

10 Trade payables

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

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

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

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baironginc.com). The interim report for the six months ended June 30, 2021 will be dispatched to the Company's shareholders and made available for review on the same websites in due course.

By order of the Board
Bairong Inc.
Zhang Shaofeng
Chairman

Hong Kong, August 25, 2021

As at the date of this announcement, the Board comprises Mr. Zhang Shaofeng, Mr. Zhao Hongqiang and Ms. Zhao Jing as executive Directors, Mr. Bai Linsen and Mr. Ren Xuefeng as non-executive Directors, and Professor Chen Zhiwu, Mr. Zhou Hao, Professor Guo Yike and Dr. Li Yao as independent non-executive Directors.