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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, 2022**

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, 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021. These interim results have been reviewed by the Company’s audit committee.

In this announcement, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amount and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to single digits or one decimal place. Any discrepancies in any table or elsewhere between totals and sums of amounts listed therein are due to rounding.

HIGHLIGHTS

Financial Summary

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

Note: Our net loss was RMB3,638.88 million for the six months ended June 30, 2021, which was mainly attributable to a loss of RMB3,697.29 million on changes in fair value of redeemable convertible preferred shares. Upon the completion of the listing (the “**Listing**” or the “**Global Offering**”) of our shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on March 31, 2021 (the “**Listing Date**”), our redeemable convertible preferred shares were converted into our ordinary shares, and no further loss or gain on changes in fair value of the redeemable convertible preferred shares will be recorded afterwards.

Operating Metrics

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

BUSINESS REVIEW

Financial Review

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

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

Operations Review

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

digital banking departments or digital finance departments to accurately tap the needs of different user groups and provide refined services.

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

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

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

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

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

Smart analytics and operation services

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

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

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

Key metrics of smart analytics and operation services

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

Precision Marketing Services

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

Key metrics of precision marketing services

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

Insurance Distribution Services

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

Key metrics of insurance distribution services

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

BUSINESS OUTLOOK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
REVENUES		
Smart analytics and operation services	443,522	302,792
Precision marketing services	220,331	245,694
Insurance distribution services	281,328	242,987
	<hr/>	<hr/>
Total revenues	945,181	791,473
Cost of sales	(267,600)	(214,200)
	<hr/>	<hr/>
Gross profit	677,581	577,273
	<hr/>	<hr/>
Other income/(loss)	95,355	(32,243)
Research and development expenses	(159,946)	(114,070)
General and administrative expenses	(132,532)	(124,164)
Sales and marketing expenses	(388,436)	(237,752)
Impairment loss	(9)	(206)
	<hr/>	<hr/>
PROFIT FROM OPERATIONS	92,013	68,838
Finance income	3,773	3,261
Finance costs	(6,270)	(4,576)
Changes in fair value of redeemable convertible preferred shares	—	(3,697,294)
	<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAXATION	89,516	(3,629,771)
Income tax benefit/(expense)	3,854	(9,111)
	<hr/>	<hr/>
PROFIT/(LOSS) FOR THE PERIOD	93,370	(3,638,882)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity shareholders of the Company	98,925	(3,641,887)
Non-controlling interests	(5,555)	3,005
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	93,370	(3,638,882)
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Revenue

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

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

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

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

Cost of sales

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

Gross profit and gross margin

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

Research and development expenses

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

General and administrative expenses

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

Sales and marketing expenses

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

Other income/(loss)

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

Changes in fair value of redeemable convertible preferred shares

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

Profit/(loss) for the period

As a result of the foregoing, the Group's profit for the six months ended June 30, 2022 was RMB93.37 million, compared with a loss of RMB 3,638.88 million for the six months ended June 30, 2021.

Non-IFRS Measures

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

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

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

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

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

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

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

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

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

Liquidity and source of funding and borrowing

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

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

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

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

Significant Investments

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

Material acquisitions and disposals

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

Pledge of assets

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

Future plans for material investments or capital asset

Save for the expansion plan as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated March 19, 2021 (the “**Prospectus**”), the Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

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

Foreign exchange exposure

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

Contingent liabilities

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

Capital commitment

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

Employees and remuneration

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

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

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

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

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

CORPORATE GOVERNANCE

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

Save as disclosed below, the Company had complied with the applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix 14 to the Listing Rules during the six months ended June 30, 2022.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Zhang Shaofeng (“**Mr. Zhang**”) performs both the roles of 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 the Group. The 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 with our three independent non-executive Directors. The Board will reassess the division of the roles of chairperson and 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 the Group as a whole.

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

Compliance with the Model Code for Securities Transactions by Directors

The class B 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 during the Reporting Period and up to the date of this announcement.

Audit committee

The Group has established an audit committee comprising 3 members, being Mr. Zhou Hao, Mr. Bai Linsen, 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, 2022 and has met with the independent auditor, KPMG. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company.

In addition, the independent auditor of the Company, KPMG, has reviewed the unaudited interim financial report of the Group for the six months ended June 30, 2022 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 ("HKICPA").

OTHER INFORMATION

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

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

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

The number of Class B Shares in issue was reduced by 5,109,500 shares as a result of the cancellation accordingly. Upon cancellation of the Shares Repurchased, the 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), such that the proportion of shares carrying WVR of the Company shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

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

Material litigation

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

Use of proceeds from the Global Offering

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

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

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

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

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.

CONDENSED INTERIM FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

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

Expressed in Renminbi (“RMB”)

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

Consolidated Statement of Profit or Loss and other Comprehensive Income

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

Expressed in RMB

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

Consolidated Statement of Financial Position

at June 30, 2022 (unaudited)

Expressed in RMB

	<i>Note</i>	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment		45,795	39,727
Intangible assets		58,260	62,925
Right-of-use assets		69,027	92,586
Goodwill		180,013	180,013
Financial assets at fair value through profit or loss		117,209	46,268
Interests in associates		9,788	9,863
Deferred tax assets		8,627	5,386
Time deposits		1,492,350	—
Restricted cash		5,843	5,722
		<u>1,986,912</u>	<u>442,490</u>
Current assets			
Prepaid expenses and other current assets		378,865	229,610
Financial assets at fair value through profit or loss		582,808	300,334
Financial assets at amortised cost		203,063	—
Derivative financial assets	8	—	20,727
Trade receivables	9	312,922	250,558
Restricted cash		16,370	82,884
Time deposits		201,342	200,000
Cash and cash equivalents		1,168,823	3,346,487
		<u>2,864,193</u>	<u>4,430,600</u>
Current liabilities			
Bank loans		25,000	51,000
Trade payables	10	105,730	94,624
Contract liabilities		46,585	48,347
Derivative financial liabilities	8	4,219	—
Lease liabilities		34,802	35,302
Accrued expenses and other current liabilities		356,823	406,216
		<u>573,159</u>	<u>635,489</u>
Net current assets		<u>2,291,034</u>	<u>3,795,111</u>
Total assets less current liabilities		<u>4,277,946</u>	<u>4,237,601</u>

Consolidated Statement of Financial Position (continued)

at June 30, 2022 (unaudited)

Expressed in RMB

	<i>Note</i>	As at June 30, 2022 <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		52,344	71,862
Deferred tax liabilities		10,592	11,205
		<u>62,936</u>	<u>83,067</u>
NET ASSETS		<u><u>4,215,010</u></u>	<u><u>4,154,534</u></u>
Equity			
Share capital		65	64
Treasury shares		(74,765)	(60,739)
Reserves		4,269,985	4,189,672
		<u>4,195,285</u>	<u>4,128,997</u>
Total equity attributable to equity shareholders of the Company		<u>4,195,285</u>	<u>4,128,997</u>
Non-controlling interests		<u>19,725</u>	<u>25,537</u>
TOTAL EQUITY		<u><u>4,215,010</u></u>	<u><u>4,154,534</u></u>

Condensed Consolidated Statement of Cash Flows

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

Expressed in RMB

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(102,429)	94,265
Net cash used in investing activities	(1,973,238)	(420,806)
Net cash (used in)/generated from financing activities	(132,594)	3,121,242
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(2,208,261)	2,794,701
Cash and cash equivalents at the beginning of the period	3,346,487	41,949
Effect of foreign exchange rate changes	30,597	(55,286)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	1,168,823	2,781,364
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

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 24, 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 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 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by HKICPA.

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:

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

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

3 Revenue

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

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

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

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

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

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

4 Profit/(loss) before taxation

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

(a) Finance income and costs

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

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

(b) Staff cost

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

(c) Other items

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

5 Income tax benefit/(expense)

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

6 Basic and diluted earnings/(loss) per share

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

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

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

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

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

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

7 Dividends

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

8 Derivatives

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

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

9 Trade receivables

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

Ageing analysis

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

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

10 Trade payables

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

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

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Within 6 months	98,019	88,365
6 months to 1 year	7,042	5,778
1 year to 2 years	669	481
	<u>105,730</u>	<u>94,624</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, 2022 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 24, 2022

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.