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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, 2023,
RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR
AND CHANGE OF BOARD COMMITTEE COMPOSITION**

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, 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022. 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 amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to single digits or two decimal places. 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,		Change (%)
	2023 (unaudited)	2022 (unaudited)	
	<i>(RMB in thousands, except percentages)</i>		
Revenue	1,243,032	945,181	32
Model as a service (“MaaS”)	431,134	346,991	24
Business as a service (“BaaS”)	811,898	598,190	36
BaaS – Financial Scenario	492,095	316,862	55
BaaS – Insurance Scenario	319,803	281,328	14
Gross profit	896,034	677,581	32
Operating profit	211,730	92,013	130
Profit for the period	206,808	93,370	121
<i>Non-IFRS measures</i>			
Non-IFRS profit for the period	226,847	125,912	80
Non-IFRS EBITDA	267,644	168,417	59

For the six months ended June 30, 2023, our revenue reached RMB1,243.03 million, representing an increase of 32% from RMB945.18 million for the six months ended June 30, 2022. The growth sped up compared to the previous year, mainly driven by our BaaS business, the revenue of which rose by 36% period-over-period to RMB811.90 million, empowered mainly by our Generative AI (Artificial Intelligence) technology. Within the BaaS business, our Financial Scenario (金融行業雲) contributed a revenue of RMB492.10 million, representing an increase of 55% period-over-period, while our Insurance Scenario (保險行業雲) contributed a revenue of RMB319.80 million, representing an increase of 14% period-over-period. Our MaaS business, our cornerstone business, grew by 24% period-over-period to RMB431.13 million. Our gross profit reached RMB896.03 million with our gross profit margin remaining at a higher profitability level of 72%, as our business model continued to prove its scalability. Our operating profit surged by 130% period-over-period to RMB211.73 million and our operating profit margin further expanded to 17%. Our profit for the period jumped by 121% period-over-period to RMB206.81 million and our net profit margin further expanded to 17%, mainly as we maximized the synergies brought by our industry-leading position amid a high threshold regulatory environment. Our non-IFRS profit reached RMB226.85 million and our non-IFRS net profit margin was as high as 18%.

In order to present our business nature and core technologies in a clear and concise way, we reorganized our internal reporting structure which resulted in changes to the composition of our reporting categories. In the previous year, the Group’s reporting categories included “Smart analytics and operation services”, “Precision marketing services” and “Insurance distribution services”. For the six months ended June 30, 2023 and going forward, we have re-classified our business operations, based on their fee models and technical bases, into two categories: (i) MaaS (Model as a service), which leverages Discriminant AI to digitalize the KYC (know-your-customer) and KYP (know-your-product) process for institutions, by predicting users’ risk, willingness and capability; and (ii) BaaS (Business as a service), which utilizes Discriminant AI to accurately match and filter users for layering, and leverages Generative AI to approach users via a combination of our proprietary AI Chatbot, Short Message Service (SMS), operator services or other mixed methods, offers a turnkey service to achieve new user marketing, revitalization of existing users, and smart operation for banks, insurance companies, wealth management companies, internet technology companies, and other institutions. Accordingly, the revenue break down by category figures for the previous interim period (unaudited) have been restated.

BUSINESS REVIEW

Operations Review

We are a leading cloud-based AI turnkey service provider that has served over 7,000 institutions in China, including but not limited to all six state-owned banks, 12 joint-equity banks, more than a thousand regional banks, as well as major consumer finance companies, insurance companies, wealth management companies, and numerous internet technology companies. Leveraging Generative AI, Discriminant AI, big data, machine learning and cloud computing capabilities, combined with our nine years of industry know-how and user insights, we provide products and solutions covering the entire chain spanning smart user acquisition, smart analytics, smart credit decision-making, smart asset operations, smart user relationship management, smart credit card user revitalization, smart wealth management marketing, etc. We focus on the application development of AI, and have successfully monetized our Generative AI scenarios. Our years of accumulating experience in the AI industry and our down-to-earth business philosophy have contributed to our strong double-digit revenue growth and continuous profitability.

As a leader in facilitating the digital and intelligent transformation of Chinese industries, we believe the current digitalization and AI trend will bring a boom to the industry. In February 2023, the Central Committee of the Communist Party of China and the State Council issued the Overall Layout Plan for the Construction of Digital China (數字中國建設整體布局規劃), which will continue to accelerate the digitization of China on the basis of China's digital economy reaching RMB50 trillion by 2022. According to the latest report of Bloomberg Intelligence, it is expected that the Generative AI market size (in terms of revenue) will expand to US\$1 trillion in 2032, compared with US\$40 billion in 2022, showing a skyrocketing trend, and the CAGR of the Generative AI market will be as high as 42% in this decade. According to the "2023 China AIGC Industry Development Research Report" (2023年中國AIGC行業發展研究報告) released by iMedia Research, the core market size of China's AIGC industry is expected to be RMB7.9 billion in 2023, and will amount to RMB276.7 billion in 2028, with a CAGR of 103%. Moreover, the efforts to boost domestic demand and stimulate consumer spending will bring favorable trends for our clients. On July 19, 2023, the Central Committee of the Communist Party of China and the State Council issued the Opinions on Promoting the Development and Growth of the Private Economy (關於促進民營經濟發展壯大的意見), which emphasizes increasing policy support for the private economy, and improving financing support policies and systems. On July 31, 2023, the National Development and Reform Commission issued the "Measures for Restoring and Expanding Consumption" (關於恢復和擴大消費的措施), which proposes to promote a reasonable increase in consumer credit in order to deeply implement the strategy of expanding domestic demand, fully leverage the fundamental role of consumption in economic development, and continuously enhance the sustained driving force of high-quality development.

Leading by our chief executive officer, Mr. Zhang Shaofeng, a tech-savvy Tsinghua University alumni, we view technology as our key competitive advantage and top priority. Our MaaS model deeply binds the cloud-native platform with the LLM, enabling the models to be easily deployed across different business scenarios, and realizing fast calls to help institutions complete the closed-loop information flow. Meanwhile, our BaaS model applies the smart voice products developed from the Generative AI technology to smart interaction scenes, which can provide four capabilities of natural-language understanding, multiple rounds of dialogue, language processing, and text generation, namely "listening, speaking, reading and writing", which are applicable to new user marketing, user revitalization and smart operation. During the Reporting Period, we mainly focused on the research and development of cloud computing, AutoML/deep learning, LLM/

Transformer, NLP, privacy computing and other proprietary and cutting-edge technologies, and we have optimised efficient base tools suitable for specific business scenarios, such as automatic machine learning platform ORCA, BR-LLM, AI Chatbot, and privacy computing platform Indra, improving our products performance and enabling efficient upgrade of our businesses. In terms of the integration of large language model and automatic machine learning platform, as well as smart voice, the newly developed ORCA-GPT can use the code generation capability of BR-LLM to consolidate ORCA bottom layer and innovatively realize the automatic transformation and deployment of intelligent analysis models across programming languages and frameworks, greatly reducing the cycle and cost of model product development and deployment. Our trained Chinese language model ranks 25th in the test rankings of C-EVAL, a comprehensive Chinese language model evaluation suite that includes 52 different disciplines and four difficulty levels, released in July 2023. Our model encompasses approximately 100 million high-quality Chinese training data tokens, and has successfully passed the comprehensive tests of C-EVAL by demonstrating excellent performance in STEM, social sciences, and humanities subjects. This achievement provides strong technical support for further exploration of the specific applications of Generative AI technology in the vertical scenario. Our self-developed artificial intelligence voice robot (AI Chatbot) integrates natural language processing (NLP), automatic speech recognition (ASR), text-to-speech (TTS), voice activity detection (VAD) and other technologies, which can accurately recognize human language and provide millisecond-level voice interaction and feedback with extremely high accuracy. In order to explore the landing opportunities of cutting-edge AI technology more quickly, we have established the new X Dynamics department, which will lead the AI Lab and business departments together to promote the continuous progress of our entire group in the era of AI 2.0. As of June 30, 2023, the Company has accumulated 209 patents and software copyrights, covering machine learning, privacy computing, smart voice interaction, etc..

MaaS (Model as a service)

Our MaaS business, corresponding to the presentation of our “smart analytics” business within our previous “smart analytics and operation services” business category, and its application scenarios including credit, insurance, wealth management, etc. MaaS mainly provides institutions with evaluation products such as anti-fraud evaluation and loan intention evaluation, as well as user profile products such as marketing intention and qualification verification, which are integrated into customized modules, and supplied to clients from institutions on our highly efficient Discriminant AI-powered MaaS cloud platform. Our clients will conduct KYC (know your customers) and KYP (know your products) assessment of users by freely accessing various models in accordance with their specific business requirements. Our self-built MaaS cloud platform is secure and reliable, serving over 100 million daily queries with a system stability rate of 99.998%. We also provide our clients with customized solutions by assigning our expert teams to conduct on-site interviews and research in order to gain down-to-earth understandings of business scenarios. Our MaaS business charges service fees based on call volumes, or consulting fees based on solutions provided.

For the six months ended June 30, 2023, our MaaS business reported revenue growth of 24% period-over-period to approximately RMB431.13 million. During the Reporting Period, the number of Key Clients reached 146, representing an increase of 14 from 132 period-over-period, while average revenue per Key Client grew by 11% period-over-period to RMB2.43 million from RMB2.19 million in the corresponding period of the previous year. The Key Client retention rate of our MaaS business has further increased to 98%.

Key metrics of MaaS

	Six months ended June 30,		
	2023	2022	Change (%)
	<i>(RMB in thousands, except percentages)</i>		
Revenue from MaaS	431,134	346,991	24
Revenue from Key Clients	355,246	288,389	23
Number of Key Clients	146	132	11
Average revenue per Key Client	2,433	2,185	11
Retention rate of Key Clients	98%	96%	+2 pct

Note: “**Key Clients**” are defined as paying clients that each contributes more than RMB300,000 total revenue to the Company year-to-date.

BaaS (Business as a service)

Our BaaS business aims to improve the efficiency of asset operations using AI technologies, and can achieve large-scale reuse across different segments, such as traditional banking, insurance, wealth management, consumer finance, and inclusive finance, etc. The BaaS business bases on our leading Discriminant AI capabilities to perform predictive analysis over the target customers of institutions and stratify them into groups, automatically match marketing strategies, and leverage the intelligent interaction capabilities of Generative AI for execution of strategies. This business will approach users via a combination of our AI Chatbot, Short Message Service (SMS), operator services, or other mixed methods, during which our models and interaction scripts will automatically upgrade in real time. As a result, various institutions are empowered to reactivate existing users, while acquiring new users to translate into revenue. Currently, the BaaS business mainly serves two scenarios, including Financial Scenario and Insurance Scenario, and charges a technical service fee or commission based on the gross transaction values.

BaaS – Financial Scenario

The BaaS – Financial Scenario includes original smart operation and precision marketing business, covering specific business scenarios, such as retail credit, small and micro credit, wealth management and leasing e-commerce. Based on the cumulative advantages of MaaS to accurately and strategically create profile, stratify and match users, the AIGC is utilized to efficiently reach and operate users, which assists banks, consumer finance, internet finance, securities, and wealth management institutions in revitalizing assets. We empower the financial industry to reduce the operating costs of enterprises and improve the asset operation efficiency with digitalization and intelligent technology. For the new customer marketing, by building our own brand recognition, Bairong continues to accumulate users. By amassing MaaS advantages, we can empower various institutions at a lower cost, by creating a multi-channel product structure and multi-dimensional operation system, organically combining C-end with B-end, and building a full-process integrated service for new-customer marketing based on financial scenarios, which can scale up gross transaction values for institutions. For the operation of existing customers, with the BaaS – Financial Scenario as the cornerstone, the smart operation platform can be used to provide digital and smart services such as accurate stratification, intelligent reach, dynamic monitoring, and real-time optimization of customers, from front-end user analysis, to intermediate marketing strategy execution, and marketing effect monitoring in the process, so as to assist institutions in maintaining existing user base and achieve their final business KPIs (Key Performance Indicators). The BaaS – Financial Scenario charges a technical service fee based on the gross transaction values.

For the six months ended June 30, 2023, our BaaS – Financial Scenario business reported revenue growth of 55% period-over-period to RMB492.10 million. As a result of a rapid growing gross transaction values, which grew by 72% period-over-period to RMB21.26 billion for the first half of the year. During the Reporting Period, we deepened our cooperation with clients by jointly developing various marketing activities to contribute to the rapid expansion of gross transaction values. In addition, the operational efficiency continued to improve due to the effective role of our accumulated self-owned users in combination with our technical advantages powered by Generative AI, thereby generating a higher level of ROI.

Key metrics of BaaS – Financial Scenario

	Six months ended June 30,		
	2023	2022	Change (%)
	<i>(RMB in thousands, except percentages)</i>		
Revenue from BaaS – Financial Scenario	492,095	316,862	55
Gross transaction value	21,262,052	12,367,135	72
Technical service fee rate	2.31%	2.56%	-0.25 pct

BaaS – Insurance Scenario

Our Insurance Scenario corresponds to the original insurance distribution services, namely Liming Insurance Brokerage. We operate over 100 branches in more than 30 cities, and efficiently supported over 5,800 insurance brokers through Liming Box, a multifunctional app that integrates user management system (CRM), talent management system (TMS) and insurance data solutions (IDS) toolsets. Our Discriminant AI provides comprehensive customer insights, and we precisely recommend insurance products through our Generative AI, in which case, our offline insurance broker teams will accumulate the users of high-value insurance policies. We charge commission fees according to the premium volume that we generated.

In the first half of 2023, the Insurance Scenario reported revenue growth by 14% period-over-period to RMB319.80 million. Total premiums increased by 59% period-over-period to RMB1,597.40 million. In the first half of 2023, first year premiums increased by 76% period-over-period to RMB939.75 million. Renewal premiums increased by 40% period-over-period to RMB657.65 million. The persistency rate of life insurance premiums continued to exceed 90%, ranking among the top in the industry.

Key metrics of BaaS – Insurance Scenario

	Six months ended June 30,		
	2023	2022	Change (%)
	<i>(RMB in thousands, except percentages)</i>		
Revenue from BaaS – Insurance Scenario	319,803	281,328	14
Revenue from first year premiums	270,236	230,583	17
First year premiums	939,753	534,499	76
Revenue from renewal premiums	49,567	50,745	-2
Renewal premiums	657,650	470,936	40

BUSINESS OUTLOOK

In the second half of 2023, we will adhere to our “client-centric” belief and improve client trust to maintain the high key client retention rate of our cornerstone business MaaS, as well as our stable profitability and revenue growth. We will also grasp the emerging business opportunities brought by AIGC to vigorously develop the second growth curve. By leveraging our Generative AI and Discriminant AI technological capabilities, as well as our accumulated industry-specific experiences, we will extend application scenarios, develop customized products and solutions, and enhance our business penetration amongst individual clients.

We will continue to enrich our product matrix and explore more opportunities for digital intelligence, including but not limited to:

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. We will leverage our strengths in AI Chatbot, data analytics and precise matching to assist Chinese wealth management products providers with their user insight and operation, user asset planning and allocation, and user investment strategy education. We will provide one-stop solutions covering data, models, strategies, systems, content, channel operations, and information iteration, aiming to deliver improved wealth management performance, and realize joint development of C-end customers, B-end institutions, and technology companies.

Inclusive finance: The “14th Five-Year Plan” calls for the utilization of data and technology to support the development of smart finance services, inclusive financial services, green financial services and rural financial services. We will expand our investments in small and micro enterprise financing to shoulder our social responsibility in the economy recovery and social stability. We will leverage Generative AI and Discriminant AI technology capabilities to create a turnkey service system of financial products for small and micro enterprises. This system will serve as a bridge for fund circulation between financial institutions and small and micro enterprises. We aim to provide financing services for small and micro enterprises under industrial finance and enterprise supply chains scenarios. Additionally, we will carry out scientific management that uses digital and intelligent technologies throughout the entire lifecycle of credit business for small and micro enterprises.

AI technology innovations: A new round of technological and industrial revolution triggered by AIGC technology is accelerating. With its high degree of digitalization and rich accumulation of valuable information, the financial sector is expected to become one of the vertical fields where AIGC can be firstly applied. We will continuously invest in LLM, Blockchain, big data, cloud computing, AI underlying algorithms such as transformer, model performance tuning and complex neural networks, and technology tools such as Chatbot, NLP, AutoML, deep learning and privacy computing. The emerging technology brings tremendous opportunities for finance technology applications, and the trend is sweeping through Hong Kong, Singapore and many other global financial centres. We will capture the industry opportunities by leveraging our technological capabilities and service advantages to expand our global presence and enhance relationships with local partners.

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
REVENUE		
MaaS	431,134	346,991
BaaS	811,898	598,190
BaaS – Financial Scenario	492,095	316,862
BaaS – Insurance Scenario	319,803	281,328
	<hr/>	<hr/>
Total revenue	1,243,032	945,181
Cost of sales	(346,998)	(267,600)
	<hr/>	<hr/>
Gross profit	896,034	677,581
	<hr/>	<hr/>
Other income	105,009	95,355
Research and development expenses	(202,066)	(159,946)
General and administrative expenses	(123,984)	(132,532)
Sales and marketing expenses	(460,684)	(388,436)
Impairment loss	(2,579)	(9)
	<hr/>	<hr/>
Profit from operations	211,730	92,013
Finance income	2,842	3,773
Finance costs	(7,579)	(6,270)
	<hr/>	<hr/>
Profit before taxation	206,993	89,516
Income tax (expense)/benefit	(185)	3,854
	<hr/>	<hr/>
Profit for the period	206,808	93,370
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity shareholders of the Company	205,251	98,925
Non-controlling interests	1,557	(5,555)
	<hr/>	<hr/>
Total comprehensive income for the period	206,808	93,370
	<hr/>	<hr/>

Revenue

Our total revenue increased by 32% from RMB945.18 million for the six months ended June 30, 2022 to RMB1,243.03 million for the six months ended June 30, 2023, primarily attributable to industry growth and our enhanced capabilities of providing products and services.

Our revenue from MaaS increased by 24% from RMB346.99 million for the six months ended June 30, 2022 to RMB431.13 million for the six months ended June 30, 2023, primarily attributable to increase of the number of key clients and average revenue per key client.

Our revenue from the Financial Scenario of our BaaS services increased by 55% from RMB316.86 million for the six months ended June 30, 2022 to RMB492.10 million for the six months ended June 30, 2023, primarily attributable to the increase in gross transaction values, which is because of economy recovery and the conversion efficiency improved as self-owner users were effective and new users acquired efficiently.

Our revenue from the Insurance Scenario of our BaaS services increased by 14% from RMB281.33 million for the six months ended June 30, 2022 to RMB319.80 million for the six months ended June 30, 2023, primarily attributable to the 59% increase on total insurance premiums we generated, as we invested in technology and professional training to support our brokers' productivity coupled with the recovery of the insurance industry alongside that of the economy.

Cost of sales

The cost of sales increased by 30% from RMB267.60 million for the six months ended June 30, 2022 to RMB347.00 million for the six months ended June 30, 2023, primarily attributable to an increase of RMB11.11 million in analytics service costs, and an increase of RMB49.13 million in insurance brokerage commission costs, in line with the growth of our business scale.

Gross profit and gross margin

As a result of the foregoing, the Group's gross profit increased by 32% from RMB677.58 million for the six months ended June 30, 2022 to RMB896.03 million for the six months ended June 30, 2023. The Group's gross margin was 72% for both the six months ended June 30, 2023 and 2022.

Research and development expenses

The Group's research and development expenses increased by 26% from RMB159.95 million for the six months ended June 30, 2022 to RMB202.07 million for the six months ended June 30, 2023, primarily attributable to the increase in the staff costs of our research and development personnel to support product offerings and technology development about various AI application technology, algorithm-driven machine learning platform and underlying database performance.

General and administrative expenses

The Group's general and administrative expenses decreased by 6% from RMB132.53 million for the six months ended June 30, 2022 to RMB123.98 million for the six months ended June 30, 2023, primarily attributable to the effective management and control of the general and administrative expenses.

Sales and marketing expenses

Our sales and marketing expenses increased by 19% from RMB388.44 million for the six months ended June 30, 2022 to RMB460.68 million for the six months ended June 30, 2023, primarily due to an increase of RMB82.57 million of promotion, advertising, information technology services and other related expenses, which was mainly due to the increased branding and business promotion to enhance our brand recognition and our continuous promotional efforts to obtain high-quality traffic to improve conversion efficiency.

Other income

Our net other income increased by 10% from RMB95.36 million for the six months ended June 30, 2022 to RMB105.01 million for the six months ended June 30, 2023. This is primarily due to (1) an increase of RMB30.71 million of government grants; (2) an increase of RMB14.18 million in the interest income from time deposits and fair value change and gains from our other investments which were mainly include certain low-risk wealth management products; (3) the foreign exchange loss of RMB1.65 million for the six months ended June 30, 2023 compared with the foreign exchange gains of RMB30.60 million for the six months ended June 30, 2022, which was due to the variance from the appreciation of USD against RMB affected by macro environment.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased from RMB93.37 million for the six months ended June 30, 2022 to RMB206.81 million for the six months ended June 30, 2023.

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 for the period, excluding share-based compensation. We define non-IFRS EBITDA as EBITDA excluding share-based compensation. 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, 2022 and 2023 and non-IFRS EBITDA presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the period:

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

	Six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
	<i>(RMB in thousands)</i>	
Profit for the period	206,808	93,370
Add		
Share-based compensation ⁽¹⁾	<u>20,039</u>	<u>32,542</u>
Non-IFRS profit for the period	<u>226,847</u>	<u>125,912</u>

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

	Six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
	<i>(RMB in thousands)</i>	
Profit for the period	206,808	93,370
Add		
Finance income	(2,842)	(3,773)
Finance costs	7,579	6,270
Income tax expense/(benefit)	185	(3,854)
Depreciation	31,255	38,984
Amortization	<u>4,620</u>	<u>4,878</u>
EBITDA	247,605	135,875
Add		
Share-based compensation ⁽¹⁾	<u>20,039</u>	<u>32,542</u>
Non-IFRS EBITDA	<u>267,644</u>	<u>168,417</u>

Note:

- (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.

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.

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, 2023, the Group had bank loans of approximately RMB73.00 million, which are all repayable within one year.

Cash and cash equivalent and time deposits

The Group had cash and cash equivalents and time deposits of RMB2,756.67 million and RMB3,010.86 million as at June 30, 2023 and December 31, 2022, respectively.

Significant Investments

The Group did not make or hold any significant investments during the six months ended June 30, 2023.

The Board confirmed that the transactions in these financial assets for the Reporting Period, on a standalone basis and aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

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, 2023.

Pledge of assets

The Group had not pledged any of our assets as at June 30, 2023.

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, 2023, the Group’s gearing ratio (i.e. total liabilities divided by total assets) was 0.16 (as at December 31, 2022: 0.18).

Foreign exchange exposure

During the six months ended June 30, 2023, 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, 2023, 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 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, 2023.

Capital commitment

The Group had no material capital commitment as at June 30, 2023.

Employees and remuneration

As at June 30, 2023, the Group had a total of 1,364 employees. The following table sets forth the total number of employees by function as of June 30, 2023:

Function	As at June 30, 2023
Sales and marketing	330
Research and marketing	635
Customer service	177
General administration	222
Total	1,364

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, 2023 was RMB355.64 million, as compared to RMB334.57 million for the six months ended June 30, 2022.

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

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

CORPORATE GOVERNANCE

The Company 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, 2023.

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 four 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 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 the chairperson 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, 2023 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, 2023 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 Board committees

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

OTHER INFORMATION

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

During the six months ended June 30, 2023, the Company repurchased a total of 11,928,500 Class B Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration of approximately HK\$124.7 million including expenses. Due to administrative reasons, the outstanding Shares Repurchased of a total of 8,195,500 Class B Shares (after taking into account the portion of Shares Repurchased that were cancelled on March 10, 2023 as disclosed in the 2022 annual results announcement of the Company) are in the process but have not been cancelled as at June 30, 2023. Subsequently, the Company has repurchased a total of 524,500 Class B Shares on the Stock Exchange at an aggregate consideration of approximately HK\$4.8 million including expenses in July 2023. Particulars of the Shares Repurchased during the six months ended June 30, 2023 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\$)
January	1,917,000	10.90	10.26	20,148,190
February	1,816,000	14.20	11.72	23,480,820
April	181,500	10.74	10.52	1,927,340
May	6,265,500	10.72	9.21	61,973,540
June	1,748,500	10.06	9.46	17,199,895
Total	11,928,500			124,729,785

The Shares Repurchased from June 2022 to February 2023 of a total of 18,166,000 Class B Shares were cancelled on March 10, 2023. A total of 2,891,948 Class A Shares were converted into Class B Shares on a one-to-one ratio on March 10, 2023.

In addition, 3,389,000 Class B Shares were purchased by trustees of the Company’s share award schemes on market during the six months ended June 30, 2023 to satisfy share awards to be vested in subsequent periods.

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, 2023.

Material litigation

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2023. The Directors are not 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 did not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

Use of proceeds from the Global Offering

On March 31, 2021 (the “Listing Date”), the shares of the Company were listed on the Main Board of the Stock Exchange (the “Global Offering”). The net proceeds from the Global Offering were approximately RMB3,170.39 million (the “IPO Proceeds”), after deducting underwriting commissions and total expenses paid by the Company in connection with the Global Offering.

Since the Listing Date and up to June 30, 2023, the Group has gradually utilised the IPO proceeds in accordance with the intended purposes stated in the Prospectus. The balance of 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 proceeds from the Global Offering (RMB million)	Proportion	Unutilised net amount as at January 1, 2023 (RMB million)	Amount utilised during the Reporting Period (RMB million)	Unutilized amount as at June 30, 2023 (RMB million)
Fund business expansion, expand FSP client base and penetrate into existing FSP client base	1,426.68	45%	814.94	253.10	561.84
Enhance efforts in research and development	951.12	30%	697.79	97.34	600.45
Pursue strategic investments and acquisitions to expand our existing product and service offerings, improve our technology capabilities, and enhance our value proposition to FSP clients	475.56	15%	184.85	–	184.85
Working capital and general corporate purposes	317.03	10%	317.03	–	317.03
Total	<u>3,170.39</u>	<u>100%</u>	<u>2,014.61</u>	<u>350.44</u>	<u>1,664.17</u>

The Group expects to fully utilise the unutilised net amount by the end of 2024, which is based on the Company’s best estimation of 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, 2023 (unaudited)

Expressed in Renminbi (“RMB”)

	Note	Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
Revenue	3	1,243,032	945,181
Cost of sales		<u>(346,998)</u>	<u>(267,600)</u>
Gross profit		896,034	677,581
Other income	4	105,009	95,355
Research and development expenses		(202,066)	(159,946)
General and administrative expenses		(123,984)	(132,532)
Sales and marketing expenses		(460,684)	(388,436)
Impairment loss	5(c)	(2,579)	(9)
Profit from operations		211,730	92,013
Finance income	5(a)	2,842	3,773
Finance costs	5(a)	(7,579)	(6,270)
Profit before taxation	5	206,993	89,516
Income tax (expense)/benefit	6	(185)	3,854
Profit for the period		206,808	93,370
Attributable to:			
Equity shareholders of the Company		205,251	98,925
Non-controlling interests		1,557	(5,555)
Profit for the period		206,808	93,370
Earnings per share			
Basic (RMB)	7	0.43	0.21
Diluted (RMB)	7	0.41	0.19

Consolidated Statement of Profit or Loss and other Comprehensive Income
for the six months ended June 30, 2023 (unaudited)
Expressed in Renminbi (“RMB”)

	Six months ended June 30,	
	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the period	206,808	93,370
Other comprehensive income for the period	—	—
Total comprehensive income for the period	<u>206,808</u>	<u>93,370</u>
Attributable to:		
Equity shareholders of the Company	205,251	98,925
Non-controlling interests	<u>1,557</u>	<u>(5,555)</u>
Total comprehensive income for the period	<u>206,808</u>	<u>93,370</u>

Consolidated Statement of Financial Position
at June 30, 2023 (unaudited)
Expressed in RMB

	<i>Note</i>	As at June 30, 2023 <i>RMB'000</i>	As at December 31, 2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		50,399	45,287
Intangible assets		51,022	54,209
Right-of-use assets		68,146	69,447
Goodwill		180,013	180,013
Financial assets at fair value through profit or loss		450,801	242,461
Interests in associates		9,797	9,764
Deferred tax assets		3,744	4,559
Time deposits		2,312,350	2,122,350
Restricted cash		7,803	7,740
		<u>3,134,075</u>	<u>2,735,830</u>
Current assets			
Prepaid expenses and other current assets		472,755	413,594
Financial assets at fair value through profit or loss		682,466	848,738
Loans receivable		3,538	1,954
Trade receivables	9	515,036	361,663
Restricted cash		5,901	16,986
Cash and cash equivalents		444,318	888,508
		<u>2,124,014</u>	<u>2,531,443</u>
Current liabilities			
Bank loans		73,000	45,000
Trade payables	10	192,300	165,338
Contract liabilities		54,447	60,731
Lease liabilities		55,213	50,646
Accrued expenses and other current liabilities		452,077	589,668
Derivative financial liabilities		1,104	–
		<u>828,141</u>	<u>911,383</u>
Net current assets		<u>1,295,873</u>	<u>1,620,060</u>
Total assets less current liabilities		<u>4,429,948</u>	<u>4,355,890</u>

Consolidated Statement of Financial Position (continued)
at June 30, 2023 (unaudited)
Expressed in RMB

	<i>Note</i>	As at June 30, 2023 <i>RMB'000</i>	As at December 31, 2022 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		24,122	35,873
Deferred tax liabilities		<u>8,980</u>	<u>9,613</u>
		<u>33,102</u>	<u>45,486</u>
NET ASSETS		<u>4,396,846</u>	<u>4,310,404</u>
Equity			
Share capital		64	66
Treasury shares		(136,764)	(148,843)
Reserves		<u>4,517,065</u>	<u>4,444,257</u>
Total equity attributable to equity shareholders of the Company		<u>4,380,365</u>	<u>4,295,480</u>
Non-controlling interests		<u>16,481</u>	<u>14,924</u>
TOTAL EQUITY		<u>4,396,846</u>	<u>4,310,404</u>

Condensed Consolidated Statement of Cash Flows
for the six months ended June 30, 2023 (unaudited)
Expressed in RMB

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(99,027)	(102,429)
Net cash used in investing activities	(201,293)	(1,973,238)
Net cash used in financing activities	(142,218)	(132,594)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(442,538)	(2,208,261)
Cash and cash equivalents at the beginning of the period	888,508	3,346,487
Effect of foreign exchange rate changes	(1,652)	30,597
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>444,318</u>	<u>1,168,823</u>

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 22, 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 the 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:

- IFRS 17 *Insurance contracts*
- Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*
- Amendments to IAS 8 – *Definition of Accounting Estimate*
- Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12 – *International Tax Reform – Pillar Two Model Rules*

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 MaaS and BaaS in the PRC.

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
MaaS	431,134	346,991
BaaS	811,898	598,190
BaaS – Financial Scenario	492,095	316,862
BaaS – Insurance Scenario	319,803	281,328
	1,243,032	945,181

Note:

For the six months ended June 30, 2023 and going forward, the Group grouped the business, based on the charge modes and technical bases, into two categories: MaaS and BaaS, instead of the previous way of disaggregation which categorised the services into “smart analytics and operation services”, “precision marketing services” and “insurance distribution services”. MaaS business corresponds to the previous data analytics business. BaaS service is further divided into financial scenario and insurance scenario. Financial scenario includes original smart operation and precision marketing business. Insurance scenario includes the original insurance distribution services. Accordingly, the revenue break down by category figures for the previous interim period (unaudited) have been restated.

During the periods ended June 30, 2023 and 2022, 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,	
	2023	2022
	RMB'000	RMB'000
Point-in-time	659,806	501,659
Over-time	583,226	443,522
	1,243,032	945,181

4 Other income

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Net gains on financial investments measured at fair value through profit or loss	32,489	20,029
Net (loss)/gains on derivatives	(1,750)	7,332
Gains from fixed coupon note	44	3,072
Interest income from time deposits	38,344	24,511
Government grants and others	33,420	2,707
Extra deduction of input VAT	4,114	7,107
Foreign currency exchange (loss)/gains, net	(1,652)	30,597
	<u>105,009</u>	<u>95,355</u>

5 Profit before taxation

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

(a) Finance income and costs

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	<u>2,842</u>	<u>3,773</u>
Total	<u>2,842</u>	<u>3,773</u>

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Finance costs		
Interest expense on bank loans	<u>5,103</u>	<u>3,264</u>
Interest expense on lease liabilities	<u>2,476</u>	<u>3,006</u>
Total	<u>7,579</u>	<u>6,270</u>

(b) Staff cost

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and other benefits	308,780	277,725
Contributions to defined contribution retirement plan	24,501	23,134
Equity-settled share-based compensation expenses	20,039	32,542
Termination benefits	2,322	1,169
	<hr/>	<hr/>
Total	355,642	334,570
	<hr/> <hr/>	<hr/> <hr/>

(c) Other items

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Analytics service costs	59,063	47,953
BaaS-related insurance brokerage commission, operating and marketing expenditures	505,213	354,630
Depreciation of property, plant and equipment	8,897	9,810
Amortisation of intangible assets	4,620	4,878
Depreciation of right-of-use assets	22,358	29,174
Impairment loss		
– Trade receivables and others	2,459	9
– Loans	120	–
Auditors' remuneration	1,400	1,400

6 Income tax expense/(benefit)

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Current tax		
– PRC Enterprise Income Tax (“EIT”) provision for the period	3	–
Deferred tax		
– Changes in deferred tax assets/liabilities	182	(3,854)
	<hr/>	<hr/>
	185	(3,854)
	<hr/> <hr/>	<hr/> <hr/>

7 Basic and diluted earnings 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 per share were calculated by dividing the net profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the periods ended June 30, 2023 and 2022.

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

	Six months ended June 30,	
	2023	2022
Net profit attributable to equity shareholders of the Company (RMB'000)	205,251	98,925
Weighted average number of ordinary shares	<u>481,025,907</u>	<u>478,072,531</u>
Basic earnings per share attributable to equity shareholders of the Company (in RMB)	<u><u>0.43</u></u>	<u><u>0.21</u></u>

Diluted earnings 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, 2023 and June 30, 2022, the Company has share options and share award schemes as potential ordinary shares.

	Six months ended June 30,	
	2023	2022
Net profit attributable to equity shareholders of the Company (RMB'000)	205,251	98,925
Weighted average number of ordinary shares	481,025,907	478,072,531
Adjustments for share options and share award schemes	<u>22,511,686</u>	<u>36,706,275</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>503,537,593</u>	<u>514,778,806</u>
Diluted earnings attributable to equity shareholders of the Company (in RMB)	<u><u>0.41</u></u>	<u><u>0.19</u></u>

8 Dividends

During the periods ended June 30, 2023 and 2022, no dividends were declared by the entities comprising the Group to its owners.

9 Trade receivables

	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000
Trade receivables	518,130	364,529
Less: loss allowance	<u>(3,094)</u>	<u>(2,866)</u>
Trade receivables, net	<u>515,036</u>	<u>361,663</u>

Ageing analysis

As of June 30, 2023 and December 31, 2022, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000
Within 3 months (inclusive)	375,868	290,804
3 months to 6 months (inclusive)	89,692	51,891
6 months to 1 year (inclusive)	45,193	17,896
Over 1 year	7,377	3,938
Less: loss allowance	<u>(3,094)</u>	<u>(2,866)</u>
Trade receivables, net	<u>515,036</u>	<u>361,663</u>

10 Trade payables

	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000
Amounts due to third parties	<u>192,300</u>	<u>165,338</u>

As at June 30, 2023 and December 31, 2022, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000
Within 6 months	169,790	153,671
6 months to 1 year	20,446	2,791
1 year to 2 years	2,064	8,876
	<u>192,300</u>	<u>165,338</u>

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

11 Events after the Reporting Period

There were no material subsequent events during the period from June 30, 2023 to the approval date of the Interim Financial Report by the Board on August 22, 2023.

12 Comparative amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation.

Resignation of Independent Non-executive Director

The Board hereby announces that Professor Guo Yike (郭毅可) (“**Professor Guo**”) has tendered his resignation as an independent non-executive Director and a member of the Nomination Committee and the Corporate Governance Committee of the Company with effect from August 22, 2023, due to his desire to devote more time to his other commitments. Professor Guo has confirmed that he has no disagreement with the Board and there is no other matter in respect of his resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

The Board would like to take this opportunity to express its gratitude to Professor Guo for his invaluable contribution to the Company during his tenure of office.

Change of Board Committees Composition

The Board is pleased to announce that Dr. Li Yao (“**Dr. Li**”) has been appointed as a member of the Nomination Committee and the Corporate Governance Committee of the Company with effect from August 22, 2023.

The Board would like to express its warmest welcome to Dr. Li on his appointment.

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.brgroup.com). The interim report for the six months ended June 30, 2023 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 22, 2023

As at the date of this announcement and following the above resignation of Director, the Board comprises Mr. Zhang Shaofeng and Ms. Zhao Jing as executive Directors, Mr. Bai Linsen and Mr. Ou Wenzhi as non-executive Directors, and Professor Chen Zhiwu, Mr. Zhou Hao and Dr. Li Yao as independent non-executive Directors.