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Linklogis Inc.
聯易融科技集團

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

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

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

KEY FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Change (%)
	2021	2020	
	(unaudited)	(unaudited)	
	<i>(RMB in thousands, except percentages)</i>		
Revenue and income from principal activities	526,572	528,188	(0.3)
Supply Chain Finance Technology Solutions	493,554	474,230	4.1
Emerging Solutions	33,018	53,958	(38.8)
Gross profit	406,884	310,433	31.1
Gross margin (%)	77.3	58.8	18.5 ⁽¹⁾
Loss for the period attributable to equity shareholders of the Company	(13,033,313)	(288,734)	4,414.0

Non-IFRS measures

Adjusted profit for the period (non-IFRS)	152,279	83,969	81.4
Adjusted profit margin (non-IFRS) (%)	28.9	15.9	13.0 ⁽¹⁾
Adjusted EBITDA (non-IFRS)	286,949	193,819	48.0
Adjusted EBITDA margin (non-IFRS) (%)	54.5	36.7	17.8 ⁽¹⁾

Note:

(1) Percentage points

KEY BUSINESS HIGHLIGHTS

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

Notes:

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

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

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

BUSINESS REVIEW AND OUTLOOK

2021 Interim Results Summary

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

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

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

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

Business Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business Outlook

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Revenue and income from principal activities

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

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

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

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

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

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

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

Cost of principal activities

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

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

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

Gross profit and gross profit margin

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

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

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

Research and development expenses

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

Sales and marketing expenses

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

Administrative expenses

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

Share-based compensation

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

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

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

Impairment loss

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

Other net income

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

Profit from operation

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

Finance costs

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

Share of profit of associates

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

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

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

Income tax expense

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

Loss for the period

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

Non-IFRS Measures

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

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

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

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

Reconciliation of loss to adjusted profit for the period:

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

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

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

Notes:

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

Credit exposure

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

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

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

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

Liquidity and source of funding

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

Significant investments

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

Material acquisitions and disposals

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

Pledge of assets

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

Subsequent events after the Reporting Period

From July 23, 2021 to July 29, 2021, the Company repurchased a total of 11,681,000 Class B Shares for consideration of approximately HK\$139.3 million.

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

Future plans for material investments or capital asset

Save as disclosed in the section headed “Business – Our Growth Strategies” in the Prospectus, the Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

As at June 30, 2021, the Group’s gearing ratio (i.e. total liabilities divided by total equity, in percentage) was 22.1% (as at December 31, 2020: N/A, as our total equity was negative as of December 31, 2020).

Foreign exchange exposure

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

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

Contingent liabilities

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

Capital commitment

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

Employees and remuneration policy

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

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

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

CORPORATE GOVERNANCE

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

Compliance with the Code on Corporate Governance Practices

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

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

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

Compliance with the Model Code

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

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

Audit Committee

The unaudited consolidated results for the six months ended June 30, 2021 have been reviewed by the audit committee of the Company which comprises three members, namely Mr. Tan Huay Lim (chairman), Mr. Gao Feng and Mr. Chen Wei, all being independent non-executive directors of the Company. The audit committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

The interim consolidated financial statements for the six months ended June 30, 2021 have been reviewed by KPMG, the Company's independent auditor, 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.

OTHER INFORMATION

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

None of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange since the Listing Date and up to June 30, 2021.

Material Litigation

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

Use of Proceeds from the Global Offering

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

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

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

Dividend

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

Interim Consolidated Statement of Profit or Loss and other Comprehensive Income
for the six months ended June 30, 2021 – unaudited

		Six months ended June 30,	
		2021	2020
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue and income from principal activities	3	526,572	528,188
Cost of principal activities		(119,688)	(217,755)
Gross profit		406,884	310,433
Research and development expenses		(120,112)	(48,596)
Sales and marketing expenses		(57,956)	(36,921)
Administrative expenses		(100,013)	(46,574)
Impairment loss	4(c)	(16,952)	(33,405)
Other net income		45,891	12,860
Profit from operation		157,742	157,797
Finance costs	4(a)	(75,495)	(78,426)
Share of profit of associates		7,203	7,266
Fair value changes of financial liabilities measured at fair value through profit or loss		(13,085,985)	(354,415)
Loss before taxation	4	(12,996,535)	(267,778)
Income tax expense	5	(36,407)	(20,723)
Loss for the period		(13,032,942)	(288,501)
Attributable to:			
Equity shareholders of the Company		(13,033,313)	(288,734)
Non-controlling interests		371	233
Loss for the period		(13,032,942)	(288,501)
Other comprehensive income for the period (after tax)			
Item that may be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		(1,704)	–
Exchange differences on translation of financial statements of operations outside the mainland China		(140,600)	9,543
Total comprehensive income for the period		(13,175,246)	(278,958)
Attributable to:			
Equity shareholders of the Company		(13,175,617)	(279,191)
Non-controlling interests		371	233
Total comprehensive income for the period		(13,175,246)	(278,958)
Basic/diluted loss per share (RMB per share)	6	(11.06)	(0.78)

Interim Consolidated Statement of Financial Position

as at June 30, 2021 – unaudited

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

		As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
	Note		
Net current assets/(liabilities)		9,465,808	(3,655,601)
Total assets less current liabilities		9,918,705	(3,271,810)
Non-current liabilities			
Borrowings	14	13,036	13,158
Lease liabilities		58,376	38,071
Other payables, accruals and other liabilities	15	340	450
Total non-current liabilities		71,752	51,679
Net assets/(liabilities)		9,846,953	(3,323,489)
Equity			
Share capital	17	128	30
Reserves		9,840,042	(3,329,931)
Total equity/(deficits) attributable to equity shareholders of the Company		9,840,170	(3,329,901)
Non-controlling interests		6,783	6,412
Total equity/(deficits)		9,846,953	(3,323,489)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

This interim financial information has been prepared in accordance with the same accounting policies in the accountants’ report (the “Accountants’ Report”) included in Appendix I to the prospectus of the Company dated 26 March, 2021, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

3. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES AND SEGMENT REPORTING

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

(a) Revenue and income

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

(b) Segment reporting

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

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

- Anchor Cloud

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

- FI Cloud

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

- Cross-border Cloud

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

- SME Credit Tech Solutions

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

Segment results

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

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

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

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

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

4. LOSS BEFORE TAXATION

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

(a) Finance costs

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

(b) Staff costs

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

Staff costs of RMB45.7 million and RMB21.7 million were capitalised in intangible assets for the periods ended June 30, 2021 and 2020 respectively, which amounts are not included in the total amounts disclosed above.

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

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

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

(c) **Other items**

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

5. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands during the six months ended June 30, 2021.

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

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

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

- (i) One of the subsidiaries of the Group was recognised as high and new technology enterprises in the year ended December 31, 2019 and, accordingly, was entitled to a preferential income tax rate of 15% for the six months ended June 30, 2021 and 2020.
- (ii) One of the subsidiaries of the Group was recognized as small low-profit enterprise since 2019 and, accordingly, was entitled to a tax relief policy. The portion of annual taxable income amount of a small low-profit enterprise, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

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

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

6. BASIC AND DILUTED LOSS PER SHARE

On March 22, 2021, pursuant to the shareholders' resolution, each existing issued and unissued share of US\$0.0001 each in the share capital of the Company were subdivided into 12 shares of US\$0.00000833 each ("Share Subdivision"). Following the Share Subdivision, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended June 30, 2021 and 2020 have been retrospectively adjusted.

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

Basic loss per share is calculated by dividing the net loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares issued to the equity shareholders of the Company during the periods.

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

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

For the six months ended June 30, 2021 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would result in anti-dilution. Accordingly, diluted loss per share for each period were the same as basic loss per share.

7. DIVIDENDS

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

- (i) The unlisted equity investments represented the Group's interests in a supply chain finance service company.
- (ii) The balance as at June 30, 2021 comprised (1) the supply chain assets held for sale in the FI Cloud of RMB1,375.0 million (as at December 31 2020: RMB920.5 million); and (2) accounts receivables arising from Cross-border Cloud of USD40.6 million (equivalent to approximately RMB262.4 million) (as at December 31 2020: USD13.6 million, equivalent to approximately RMB88.7 million), which the Group holds temporarily and intends to further transfer out without recourse to the Group.
- (iii) The balance as at June 30 2021 comprised (1) senior tranches of asset-back securities of RMB225.0 million (as at December 31 2020: RMB0); (2) junior tranches of asset-back securities of RMB71.5 million (as at December 31 2020: RMB68.2 million).
- (iv) The balance as at June 30, 2021 represented the fair value of the Group's investment in a segregated portfolio managed by Go Asset Management Limited ("Go Asset"), which amounted to USD15.0 million (equivalent to approximately RMB96.9 million) (as at December 31 2020: USD10.0 million, equivalent to approximately RMB66.0 million).

10. TRADE RECEIVABLES

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

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

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

11. FINANCIAL ASSETS AT AMORTISED COST

(a) Analysed by nature:

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

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

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

The three risk stages are defined as follows:

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

Summarised by stages and allowance for impairment losses:

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

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

(c) Summarised by overdue days:

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

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

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

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

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

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Non-current			
Loan to a non-controlling shareholder of an associate	(i)	30,000	30,000
Long-term deferred expenses		<u>10,882</u>	<u>7,374</u>
Total		<u>40,882</u>	<u>37,374</u>
Current			
Deposits associated with FI Cloud and SME Credit Tech Solutions		14,207	10,550
Receivables from anchor enterprises	(ii)	1,063,051	2,592,124
Continuing involvement in transferred supply chain assets	15	38,000	28,000
Prepaid expenses for supply chain financing		22,051	60,613
Input value-added-tax (“VAT”) to be certified		23,279	28,676
Prepaid software and service expense		1,238	1,223
Others		37,461	23,649
Loss allowance		<u>(936)</u>	<u>(650)</u>
Total		<u>1,198,351</u>	<u>2,744,185</u>

- (i) On May 24, 2019, the Group granted a loan amounting to RMB30.0 million to Hong Kong Han Tou Jin Chuang Investment Management Limited (“**Han Tou**”), one of the non-controlling shareholders of an associate of the Group. The loan will mature in three years with annual interest rate of 2%, and was pledged by 5.882% of this associate’s shares held by Han Tou.
- (ii) Receivables from anchor enterprises mainly arise in the securitization transactions enabled by Supply Chain Finance Technology Solutions and represent mostly the suppliers’ account receivables due from anchor enterprises acquired pursuant to contracts between the Group and the anchor enterprises.

13. TRADE PAYABLES

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

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

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

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

14. BORROWINGS

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

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

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

15. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

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

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

16. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

Changes in fair value of preferred shares were recorded in “fair value changes of financial liabilities measured at fair value through profit or loss” in the consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2021 and 2020.

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

17. SHARE CAPITAL

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Ordinary shares	128	30

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

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.linklogis.com). The interim report for the six months ended June 30, 2021 will be dispatched to the Shareholders and made available for review on the same websites in due course.

By order of the Board
Linklogis Inc.
Song Qun
Chairman

Hong Kong, August 30, 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Song Qun as the Chairman and executive Director, Mr. Ji Kun and Ms. Chau Ka King as executive Directors, Mr. Lin Haifeng, Mr. Zhang Yuhan and Mr. Zhao Yongsheng as non-executive Directors, and Mr. Gao Feng, Mr. Tan Huay Lim and Mr. Chen Wei as independent non-executive Directors.

DEFINITIONS

In this interim result announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China and for the purposes of this announcement only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Class A Share(s)”	class A ordinary share(s) in the share capital of our Company with a par value of US\$0.00000833 each, conferring weighted voting rights in our Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to specified reserved matters, in which case they shall be entitled to one vote per share
“Class B Share(s)”	class B ordinary share(s) in the share capital of our Company with a par value of US\$0.00000833 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
“Company”, “our Company”, or “the Company”	Linklogis Inc. (formerly known as Linklogis Financial Holdings Inc.), a company with limited liability incorporated in the Cayman Islands on March 13, 2018
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2
“Director(s)”	the director(s) of our Company
“Global Offering”	the public offering of the Company’s Class B Shares as defined and described in the Prospectus
“Group”, “we” or “us”	the Company, its subsidiaries, and the consolidated affiliated entities

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Listing”	the listing of the Class B Shares on the Main Board of the Stock Exchange on April 9, 2021
“Listing Date”	April 9, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LPR”	loan prime rate
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of the Company dated March 26, 2021
“R&D”	research and development
“RMB”	Renminbi yuan, the lawful currency of China
“Share(s)”	the Class A Shares and Class B Shares in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“SME(s)”	small and medium enterprise(s)
“SPV”	special purpose vehicle established by financial institutions, such as securities firms and trust companies, in an asset securitization offering to facilitate the transaction

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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