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# LianLian 连连

## Lianlian DigiTech Co., Ltd. 連連數字科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2598)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Lianlian DigiTech Co., Ltd. (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended June 30, 2024 (“**Reporting Period**”) together with comparative figures for corresponding period in 2023.

#### FINANCIAL HIGHLIGHTS

	Six months ended June 30		Period-on- Period change %
	2024 RMB'000 (Unaudited)	2023 RMB'000	
Revenue	617,387	440,589	40.1%
Gross profit	324,925	270,204	20.3%
Loss before income tax	(347,014)	(380,246)	(8.7)%
Loss for the period	(349,957)	(382,533)	(8.5)%
Total comprehensive loss for the period	(349,335)	(380,343)	(8.2)%
EBITDA (non-IFRS measure) <sup>(1)</sup>	(323,864)	(361,036)	(10.3)%
Adjusted EBITDA (non-IFRS measure) <sup>(2)</sup>	(188,424)	(313,381)	(39.9)%

#### Notes:

- EBITDA (Non-IFRS measure) refers to loss for the periods adjusted by adding back (i) income tax expense, (ii) finance costs – net, and (iii) depreciation and amortization, which are non-cash in nature.
- Adjusted EBITDA (Non-IFRS measure) refers to EBITDA (Non-IFRS measure) adjusted by adding back (i) listing expenses, which relate to the Global Offering, and (ii) share-based compensation expenses, which are non-cash in nature.

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000 (Audited)
Total assets	11,823,871	10,467,499
Total liabilities	10,888,912	9,873,855
Total equity	934,959	593,644
Equity attributable to owners of the Company	929,020	589,301

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**For the six months ended 30 June 2024**

		(Unaudited)	
		Six months ended 30 June	
	<i>Note</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	617,387	440,589
Cost of sales	4	<u>(292,462)</u>	<u>(170,385)</u>
<b>Gross profit</b>		<b>324,925</b>	270,204
Selling and marketing expenses	4	(108,883)	(84,962)
General and administrative expenses	4	(290,244)	(153,699)
Research and development expenses	4	(147,469)	(119,377)
Other income	5	89,489	33,366
Other (losses)/gains – net	6	(2,378)	16,306
Provision for impairment on financial assets		<u>(3,391)</u>	<u>(1,855)</u>
<b>Operating loss</b>		<b>(137,951)</b>	(40,017)
Finance income		4,121	989
Finance costs		<u>(10,487)</u>	<u>(5,190)</u>
Finance costs – net		<b>(6,366)</b>	(4,201)
Share of net loss of associates accounted for using the equity method	9	<u>(202,697)</u>	<u>(336,028)</u>
<b>Loss before income tax</b>		<b>(347,014)</b>	(380,246)
Income tax expense	7	<u>(2,943)</u>	<u>(2,287)</u>
<b>Loss for the period</b>		<b><u>(349,957)</u></b>	<b><u>(382,533)</u></b>
<b>Loss for the period attributable to:</b>			
– Owners of the Company		(351,294)	(383,184)
– Non-controlling interests		<u>1,337</u>	<u>651</u>
		<b><u>(349,957)</u></b>	<b><u>(382,533)</u></b>

		(Unaudited)	
		Six months ended 30 June	
	<i>Note</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Loss per share attributable to the owners of the Company</b>			
Basic loss per share (in RMB per share)	<i>8(a)</i>	<u>(0.34)</u>	<u>(0.38)</u>
Diluted loss per share (in RMB per share)	<i>8(b)</i>	<u>(0.34)</u>	<u>(0.38)</u>
<b>Other comprehensive (loss)/income</b>			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		<u>(956)</u>	<u>(1,135)</u>
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investment at fair value through other comprehensive income		<u>1,578</u>	<u>3,325</u>
<b>Other comprehensive income for the period, net of income tax</b>		<u>622</u>	<u>2,190</u>
<b>Total comprehensive loss for the period</b>		<u><b>(349,335)</b></u>	<u><b>(380,343)</b></u>
<b>Total comprehensive loss for the period attributable to:</b>			
– Owners of the Company		<u>(350,931)</u>	<u>(381,026)</u>
– Non-controlling interests		<u>1,596</u>	<u>683</u>
		<u><b>(349,335)</b></u>	<u><b>(380,343)</b></u>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
**As at 30 June 2024**

	<i>Note</i>	As at <b>30 June 2024</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>122,459</b>	120,773
Right-of-use assets		<b>24,188</b>	19,381
Investment properties		<b>163,027</b>	165,039
Intangible assets		<b>17,382</b>	17,191
Deferred income tax assets		<b>23,267</b>	17,806
Investments accounted for using the equity method	<i>9</i>	<b>89,821</b>	292,518
Financial assets at fair value through other comprehensive income		<b>40,863</b>	39,006
Financial assets at fair value through profit or loss ("FVPL")	<i>11</i>	<b>73,508</b>	82,445
<b>Total non-current assets</b>		<b>554,515</b>	754,159
<b>Current assets</b>			
Prepayments, other receivables and other current assets		<b>116,917</b>	79,049
Trade receivables	<i>10</i>	<b>96,277</b>	67,552
Financial assets at fair value through profit or loss	<i>11</i>	<b>282,691</b>	192,321
Inventories		<b>657</b>	667
Customer accounts and restricted cash	<i>12</i>	<b>10,197,226</b>	9,183,911
Cash and cash equivalents	<i>12</i>	<b>575,588</b>	189,840
<b>Total current assets</b>		<b>11,269,356</b>	9,713,340
<b>Total assets</b>		<b>11,823,871</b>	10,467,499
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>15</i>	<b>145,350</b>	147,900
Lease liabilities		<b>11,189</b>	7,599
Deferred income tax liabilities		<b>20</b>	165
Deferred income		<b>12,640</b>	9,480
<b>Total non-current liabilities</b>		<b>169,199</b>	165,144

	<i>Note</i>	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>75,989</b>	76,006
Contract liabilities		<b>10,335</b>	12,645
Income tax payables		<b>6,609</b>	8,614
Borrowings	<i>15</i>	<b>339,197</b>	289,645
Lease liabilities		<b>10,649</b>	9,874
Accruals and other payables	<i>14</i>	<b>10,276,934</b>	9,311,927
		<u><b>10,719,713</b></u>	<u>9,708,711</u>
<b>Total current liabilities</b>		<u><b>10,719,713</b></u>	<u>9,708,711</u>
<b>Total liabilities</b>		<u><b>10,888,912</b></u>	<u>9,873,855</u>
<b>Equity</b>			
Share capital		<b>1,079,060</b>	1,014,760
Other reserves		<b>2,881,799</b>	2,255,086
Accumulated losses		<b>(3,031,839)</b>	(2,680,545)
		<u><b>929,020</b></u>	<u>589,301</u>
Equity attributable to owners of the Company		<u><b>929,020</b></u>	<u>589,301</u>
Non-controlling interests		<b>5,939</b>	4,343
		<u><b>934,959</b></u>	<u>593,644</u>
<b>Total equity</b>		<u><b>934,959</b></u>	<u>593,644</u>
<b>Total equity and liabilities</b>		<u><b>11,823,871</b></u>	<u>10,467,499</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Lianlian DigiTech Co., Ltd. (The “Company”) was incorporated in the People’s Republic of China (the “PRC” or China) on 2 February 2009. The address of the Company’s registered office is B3, 12/F, Building 1, No. 79 Yueda Lane, Binjiang District, Hangzhou, Zhejiang Province, the PRC. In December 2020, the Company was converted into a joint stock limited company.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in provision of digital payment services and value-added services in China. The ultimate controlling party of the Group is Mr. Zhang Zhengyu.

The Company completed its initial public offering and listed its shares on the Main Board of The Stock Exchange of Hong Kong on 28 March 2024.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand RMB (RMB’000), unless otherwise stated. The interim condensed consolidated financial information has been approved for issue by the Board on 20 August 2024.

The interim condensed consolidated financial information has not been audited.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all of the notes normally included in annual consolidated financial statements. Accordingly, this condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which has been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

### (a) New and amended Standard adopted by the Group

The Group has applied the following new and amended standards for its interim period commencing 1 January 2024:

	<b>New/amended standards</b>	<b>Effective date</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b) New and amended standards and interpretations not yet adopted**

Certain amendments to accounting standards and interpretation have been published that are not mandatory for the period ended 30 June 2024 and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	<b>New/amended standards</b>	<b>Effective date</b>
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

**3 REVENUE AND SEGMENT INFORMATION**

**(a) Revenue**

The principal activities of the Group are digital payment services, value-added services and others.

Breakdown of revenue by business lines is as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers:</b>		
Digital payment services	<b>541,888</b>	383,231
Value-added services	<b>66,773</b>	47,303
	<b>608,661</b>	430,534
<b>Revenue from other sources</b>		
Over time – Rental income	<b>8,726</b>	10,055
<b>Total</b>	<b>617,387</b>	440,589
<b>Revenue from contracts with customers:</b>		
At a point in time	<b>600,219</b>	422,591
Over time	<b>8,442</b>	7,943
	<b>608,661</b>	430,534

**(b) Segment information**

The Group's chief operating decision-maker ("CODM") consisting of the executive directors and the other key management, examines the Group's performance from a product perspective. Management has determined the operating segments based on the reports reviewed by CODM that are used to make strategic decisions. On this basis, the Group evaluated its operating segments separately or aggregately, and determined that it has reportable segments as follows:

- Global payment
- Domestic payment
- Value-added services
- Others

The unallocated amount mainly represents the long-term equity investments in Express (Hangzhou) Technology Services Company Limited ("LianTong"), the equity investments in Hangzhou Hyperchain Technology Co., Ltd. ("Hyperchain Technology"), the investments in wealth management products, the investments in listed equity securities and the investment gains or losses.

**(i) Segment results, assets and liabilities**

Segment information as at and for the six months ended 30 June 2024 is as follows:

	Global payment <i>RMB'000</i>	Domestic payment <i>RMB'000</i>	Value-added services <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated amounts <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	372,374	169,514	66,773	8,726	-	-	617,387
Cost of sales	(102,198)	(135,407)	(48,827)	(6,030)	-	-	(292,462)
Segment gross profit	270,176	34,107	17,946	2,696	-	-	324,925
Depreciation, amortisation and impairment charges included in segment cost	(3,613)	(7,200)	(1,206)	(4,765)	-	-	(16,784)
Finance income	949	289	3	2,880	-	-	4,121
Finance costs	(3,258)	(4,044)	-	(3,185)	-	-	(10,487)
Share of losses of investments accounted for using the equity method	-	-	-	-	(202,697)	-	(202,697)
Profit/(loss) before income tax	56,488	(41,449)	(5,299)	(24,633)	(332,121)	-	(347,014)
Income tax (expense)/credits	(7,612)	2,294	(333)	231	2,477	-	(2,943)
Profit/(loss) for the period	48,876	(39,155)	(5,632)	(24,402)	(329,644)	-	(349,957)
Segment assets	8,057,175	3,115,062	88,102	982,978	2,465,763	(2,885,209)	11,823,871
Segment liabilities	8,505,622	2,587,982	75,760	440,040	1,085,681	(1,806,173)	10,888,912



Segment information as at and for the six months ended 30 June 2023 is as follows:

	Global payment RMB'000	Domestic payment RMB'000	Value-added services RMB'000	Others RMB'000	Unallocated amounts RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	305,383	77,848	47,303	10,055	–	–	440,589
Cost of sales	(78,998)	(53,307)	(32,430)	(5,650)	–	–	(170,385)
Segment gross profit	226,385	24,541	14,873	4,405	–	–	270,204
Depreciation, amortisation and impairment charges included in segment cost	(2,950)	(6,231)	(1,595)	(4,233)	–	–	(15,009)
Finance income	71	51	–	867	–	–	989
Finance costs	(1,134)	(620)	–	(3,436)	–	–	(5,190)
Share of losses of investments accounted for using the equity method	–	–	–	–	(336,028)	–	(336,028)
Profit/(loss) before income tax	26,175	(34,646)	(263)	360	(371,872)	–	(380,246)
Income tax expense	(5,807)	2,054	(132)	(171)	1,769	–	(2,287)
Profit/(loss) for the year	20,368	(32,592)	(395)	189	(370,103)	–	(382,533)
Segment assets	6,114,828	5,768,486	42,708	563,444	1,446,678	(1,776,766)	12,159,378
Segment liabilities	6,124,232	5,217,106	49,040	247,703	765,086	(967,722)	11,435,445

#### 4 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Employee benefits	385,701	274,937
Processing fees to financial institutions and payment networks	154,431	103,999
Service charge to channel partners	116,699	39,956
Professional service expenses	52,586	21,134
Marketing and promotion expenses	32,038	13,395
Travelling expenses	18,230	11,390
Office and telecommunication expenses	9,817	7,918
Listing expenses	7,799	4,339
Depreciation of property, plant and equipment	6,827	6,866
Depreciation of right-of-use assets	5,904	4,294
Outsourcing labour costs	4,771	5,127
Other taxes and surcharges	2,715	2,846
Property management expenses	2,153	2,027
Amortisation of intangible assets	2,041	1,847
Depreciation of investment properties	2,012	2,002
Expense relating to short-term leases	1,777	896
Auditors' remuneration		
– Audit services	2,500	470
– Non-audit services	293	–
Others	30,764	24,980
Total cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses	839,058	528,423

**5 OTHER INCOME**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest income on customer accounts	87,134	32,343
Government grants (i)	2,355	866
Others	–	157
	<u>89,489</u>	<u>33,366</u>

- (i) The amounts represent grants received from the local government, which are recognised in the statement of comprehensive loss upon receipt of these cash rewards. There were no unfulfilled conditions or contingencies relating to these grants.

**6 OTHER (LOSSES)/GAINS – NET**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Foreign exchange gains, net	12,754	15,514
Gains on disposal of financial assets at FVPL	894	–
Interest income on borrowing to related parties	–	6,247
Fair value losses of financial assets at FVPL (Note 11)	(15,921)	(5,431)
Losses on disposal of property, plant and equipment	(80)	–
Others	(25)	(24)
	<u>(2,378)</u>	<u>16,306</u>

**7 INCOME TAX EXPENSE**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current income tax expense	8,827	5,720
Deferred income tax credit	(5,884)	(3,433)
	<u>2,943</u>	<u>2,287</u>

## 8 LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Net loss attributable to the owners of the Company	(351,294)	(383,184)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,048,153	1,014,760
Basic loss per share (RMB per share)	(0.34)	(0.38)

### (b) Diluted loss per share

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

During the six months ended 30 June 2024 and 2023, the Company had one category of potential ordinary shares: share options granted under the ESOP plans. As the Company incurred losses for the six months ended 30 June 2024 and 2023, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amounts of diluted loss per share for the six months ended 30 June 2024 and 2023 were the same as basic loss per share of the respective period.

## 9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheets are as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
LianTong (a)	89,657	291,157
Zhejiang Zhong Pu Lian Technology Co., Ltd. ("Zhong Pu Lian Technology")	164	1,361
	<u>89,821</u>	<u>292,518</u>

The share of loss recognised in the consolidated statements of comprehensive loss are as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
LianTong (a)	(201,500)	(335,860)
Zhong Pu Lian Technology	(1,197)	(168)
	<u>(202,697)</u>	<u>(336,028)</u>

(a) **Investment in LianTong**

Set out below are the investment in LianTong as at 30 June 2024 and 31 December 2023.

Name of entity	Place of business/ country of establishment	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		As at	As at			As at	As at
		30 June 2024 %	31 December 2023 %			30 June 2024 RMB'000	31 December 2023 RMB'000
LianTong	The PRC	<u>45.2</u>	<u>45.2</u>	Associate	Equity method	<u>89,657</u>	<u>291,157</u>

Set out below are the movement of LianTong for the six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Carrying amounts at the beginning of the period	291,157	205,620
Additions	–	300,000
Share of net loss accounted for using the equity method	<u>(201,500)</u>	<u>(335,860)</u>
Carrying amounts at the end of the period	<u>89,657</u>	<u>169,760</u>

- (i) The Group entered into a joint venture agreement with affiliates of American Express Company to establish LianTong in 2017. LianTong obtained its bankcard clearing business license in June 2020, and provides bankcard clearing and settlement services to issuing banks and merchant acquirers in its network, and offers cardholder benefits to Chinese consumers.

The Company holds 45.2% of the equity interests in LianTong as at 30 June 2024 and 31 December 2023. The Group has significant influence over LianTong through board representation. Pursuant to the agreement between American Express Company and the Company, the Company does not have control over LianTong's operation. Accordingly, LianTong was accounted for as an associate of the Group by using the equity method during the respective period.

- (ii) Based on the impairment assessment performed by the Group, the recoverable amount of investment in LianTong as at 30 June 2024 and 31 December 2023 was higher than the respective carrying amount of the investment, and the directors of the Company considered that there was no impairment in the carrying values of the Group's investments in LianTong.

**10 TRADE RECEIVABLES**

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade receivables	103,861	72,154
Less: loss allowance	<u>(7,584)</u>	<u>(4,602)</u>
	<u>96,277</u>	<u>67,552</u>

The carrying amounts of the Group's trade receivables are mainly denominated in RMB and approximate their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

The aging analysis of the trade receivables based on invoice date is as follows:

	As at <b>30 June</b> <b>2024</b> <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Within 3 months	80,445	59,409
3 months to 6 months	13,637	8,930
6 months to 1 year	7,314	2,616
More than 1 year	2,465	1,199
	<u>103,861</u>	<u>72,154</u>

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

Financial assets measured at FVPL include the following:

	As at <b>30 June</b> <b>2024</b> <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
<b>Included in current assets</b>		
Unlisted equity investments (i)	192,321	192,321
Wealth management products (ii)	71,268	–
Listed equity securities (iii)	19,102	–
	<u>282,691</u>	<u>192,321</u>
<b>Included in non-current assets</b>		
Unlisted equity investments (iv)	73,508	82,445
	<u>356,199</u>	<u>274,766</u>

The details of the investments in unlisted investments, wealth management products and listed equity securities are as follows:

- (i) The Group held 4.84% of the equity interests of Hangzhou Hyperchain Technology Co., Ltd. (“Hyperchain Technology”) as at 30 June 2024 and 31 December 2023. The Group does not participate in or influence the financial and operating policy decisions of Hyperchain Technology, as a result, the Group has no significant influence over Hyperchain Technology.

The Group intends to sell the equity interests of Hyperchain Technology and, therefore, included it in current assets based on management’s expectation.

- (ii) This represents the Group’s investments in wealth management products with expected return rate range of 4.0%-5.5% per annum, which are mainly principal guaranteed funds investing in the United States treasury bonds and U.S. dollar money funds with short terms.
- (iii) The Group acquired no more than 1% of the equity interests in Sichuan Baicha Baidao Industrial Co., Ltd. (“Baicha Baidao”) in April 2024 at a cost of RMB25,558,000. The fair value was determined based on the closing price of Baicha Baidao on the day before the balance sheet date. For the six months ended 30 June 2024, fair value losses of RMB6,502,000 were recognized in “other (losses)/gains – net” (six months ended 30 June 2023: Nil).

- (iv) The Group holds 12.96% of the voting rights in Queen Bee Capital Co., Ltd. (“QBC”). The Group does not participate in or influence the financial and operating policy decisions of QBC, as a result, the Group has no significant influence over QBC. Therefore, it was accounted for as financial assets at fair value through profit or losses.

In February 2023, the Group acquired 5.47% equity interests in ContentBot, Inc. (“ContentBot”) at a cash consideration of USD64,978 (equivalent to RMB470,000). The Group has no significant influence over ContentBot. Therefore, it was accounted for as financial assets at fair value through profit or losses.

The Group intends to hold equity interests of QBC and ContentBot as strategic investment instead of held-for-trading and included them in non-current assets.

- (v) Amounts recognised in profit or loss

For the six months ended 30 June 2024 and 2023, the following gains/(losses) were recognised in profit or loss:

Financial assets measured at FVPL include the following:

	Unlisted equity investments		Wealth management products	Listed equity securities	Total
	Current	Non-current	Current	Current	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2024</b>	192,321	82,445	–	–	274,766
Additions	–	–	151,003	25,558	176,561
Fair value losses (Note 6)	–	(9,419)	–	(6,502)	(15,921)
Currency translation difference	–	482	67	46	595
Disposals	–	–	(79,802)	–	(79,802)
<b>As at 30 June 2024</b>	<u>192,321</u>	<u>73,508</u>	<u>71,268</u>	<u>19,102</u>	<u>356,199</u>
	Unlisted equity investments				Total
	Current	Non-current			
	RMB'000	RMB'000			RMB'000
<b>As at 1 January 2023</b>		188,567		82,578	271,145
Additions		–		470	470
Fair value gains/(losses) (Note 6)		816		(6,247)	(5,431)
Currency translation difference		–		2,866	2,866
<b>As at 30 June 2023</b>		<u>189,383</u>		<u>79,667</u>	<u>269,050</u>

## 12 CASH AND CASH EQUIVALENTS, CUSTOMER ACCOUNTS AND RESTRICTED CASH

Cash and cash equivalents:

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Cash at bank	10,772,606	9,373,600
Cash on hand	208	151
	<u>10,772,814</u>	<u>9,373,751</u>
Less: customer accounts and restricted cash (a)	<u>(10,197,226)</u>	<u>(9,183,911)</u>
Cash and cash equivalents	<u><u>575,588</u></u>	<u><u>189,840</u></u>

### (a) Customer accounts and restricted cash

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Customer accounts (i)	10,187,861	9,175,263
Performance guarantees for payment business	8,403	7,764
Others	962	884
	<u>10,197,226</u>	<u>9,183,911</u>

#### (i) Customer accounts

Customer accounts mainly represent customer funds collected and awaiting disbursement as requested. Customer accounts are segregated from and not reported as part of cash and cash equivalents as they represent other assets held by the Group on behalf of customers, and therefore is not available for the Group's general use.

Customer accounts also comprises the service fees earned by the Group arising from completed digital payment services which has not been withdrawn from customer deposit bank accounts. It also includes, to a lesser extent, deposits made by the Group to meet requests from customers seeking expedited settlements. These balances were not reported as cash and cash equivalents because they were held on the customer accounts with customers' funds.

## 13 TRADE PAYABLES

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Trade payables		
– Payable for service charge to channel partners	55,036	55,754
– Payable for processing fees to financial institutions and payment networks	19,753	18,990
– Others	1,200	1,262
	<u>75,989</u>	<u>76,006</u>

Trade payables are unsecured and are usually paid within 90 days of recognition. The aging analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
0 to 90 days	59,171	60,995
91 to 180 days	7,366	5,021
181 days to 1 year	2,248	2,758
Over 1 year	7,204	7,232
	<u>75,989</u>	<u>76,006</u>

#### 14 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Payables to merchants and other customers (i)	10,092,144	9,082,463
Staff costs and welfare accruals	69,391	100,919
Payables for listing expenses	7,266	34,849
VAT payables and other tax payables	4,223	19,581
Payables for acquisition of long-term assets	2,461	387
Amounts due to related parties	315	444
Others	101,134	73,284
	<u>10,276,934</u>	<u>9,311,927</u>

- (i) The balance represents funds processed by the Group for merchants and other customers, which are required to be settled with merchants and other customers upon the respective contractual settlement clearance dates.

#### 15 BORROWINGS

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
<b>Borrowings included in non-current liabilities:</b>		
Bank borrowings, pledged (a)	<u>145,350</u>	<u>147,900</u>
<b>Borrowings included in current liabilities:</b>		
Current portion of long-term borrowings		
– Bank borrowings, unsecured (b)	327,973	278,401
– Current portion of long term bank borrowings, pledged (a)	11,224	11,244
	<u>339,197</u>	<u>289,645</u>
	<u>484,547</u>	<u>437,545</u>



- (a) As at 30 June 2024, the interest rate on long-term borrowings was 4.0% (31 December 2023: 4.0%), and the interest should be paid quarterly, the principal should be repaid semi-annually before 20 September 2037.
- (b) As at 30 June 2024, the Group has entered into several short-term agreements with certain banks mainly in the Mainland China. The borrowings had the maturity of one year or less and the interest rates ranging from 3.45% to 4.40% per annum (31 December 2023: 3.80% to 4.65%).

## **16 DIVIDENDS**

No dividend has been paid or declared by the Company for the six months ended 30 June 2024 and 2023.

No dividend or distribution has been declared, made or paid by the Company or any of the subsidiaries comprising the Group in respect of any period subsequent to 30 June 2024.

## **17 SUBSEQUENT EVENTS**

There were no significant events that require additional disclosure or adjustments occurred after 30 June 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

We are a leading digital payment solution provider from China with a global payment capability to serve our customers around the world. Leveraging on our extensive global payment network built upon our global license layout, comprehensive proprietary technology platform and extensive network of partners, we provide rich digital payment services and value-added services to customers in China and around the world. Our customers mainly include merchants, who primarily conduct retail business with end-buyers through e-commerce platforms, and enterprises, who primarily sell goods or provide services to end-buyers including companies and institutions.

Categorized by products, our digital payment services primarily comprise of pay-in, pay-out, acquiring, foreign exchange, virtual card and payment aggregation services. Our value-added services are mostly payment related and they include business services and technology services. With business services, we provide digital marketing, operation support and referral services. With technology services, we provide account and e-wallet solutions and software development services. Categorized by geographical coverage, our digital payments services include global payments and domestic payments.

Among all the China-based digital payment solution providers, we have extensive global business outreach and license coverage, and we are the only one holding all state-level money transmitter licenses in the United States. As of June 30, 2024, our global license layout consists of 65 payment licenses and relevant qualifications. We provide services which encompass over 100 countries and regions and support transactions in over 130 currencies. The comprehensive global license layout and regulatory compliance framework of our Company have earned us trust from regulators, customers and partners, enabling our customers to succeed in the digital transformation in global commerce. Over the years, the Company has been focusing on serving Chinese merchants and enterprises and building a close partnership with the essential players in the e-commerce ecosystem and have gained deep insights into customers, markets and industries. With the advanced technology platform, innovative products and solutions, the Company has built differentiated competitive advantages over our peers.

In the first half of 2024, the Company further expanded its global business outreach, strengthened product innovation, and achieved outstanding performance in all business lines. For the six months ended June 30, 2024, the total revenue of the Company for the first half of the year was RMB617.4 million, representing a year-on-year increase of 40.1%.

In terms of digital payment services, for the six months ended June 30, 2024, the TPV of the Company's digital payment business reached RMB1.57 trillion, representing a year-on-year growth of 120.1%, and the total revenue generated from digital payment services was RMB541.9 million, representing a year-on-year growth of 41.4%.

## **Global Payment:**

With global payment business, we further expanded the coverage of our businesses to more regions and cross-border e-commerce platforms, and continued to enhance our product service capabilities to build a more solid bridge between China's production capacity and international demand. The Company is rooted in small and medium-sized businesses which serves the global consumers market. Through its one-stop solutions and large customer base, the Company has helped emerging e-commerce platforms rise globally, and in doing so, it has gained market share and improved operating results. Meanwhile, we work closely with cross-border E-commerce Comprehensive Pilot Zones to benefit small and medium-sized businesses and to create a barrier-free and an accessible overseas channel for Chinese brands, thus improving the efficiency of cross-border trade.

Additionally, we have further expanded the breadth and depth of our global payment products. In terms of breadth, we continued to expand the boundaries of our one-stop service capability and upgraded our virtual card services and further improved our acquiring solutions with the five largest card organizations to meet the diversified payment methods of different customers. In terms of depth, we have further enhanced our ability in the Service Trade and B2B fields, and met the in-depth needs of specific industries and markets through customized services and professional solutions. Lastly, the Company has taken a solid step in its global license layout and obtained the Luxembourg Electronic Money Institution licence in May 2024, which is another substantial breakthrough achieved in the process of the Company's in-depth cultivation of the European market and the promotion of its globalization strategy. For the six months ended June 30, 2024, the Company's global payment business TPV reached RMB102.3 billion, a year-on-year increase of 35.4%, and the total revenue generated from global payment business was RMB372.4 million, a year-on-year increase of 21.9%.

## **Domestic Payment and Value-added services:**

In the field of domestic payment business, the Company is committed to using payment services as an entry point and catalyst for corporate digitization, and creating a positive cycle of differentiated product innovation and large-scale development, through continuous product innovation and service upgrades. For the six months ended June 30, 2024, the Company's TPV of the domestic payment business reached RMB1.47 trillion, representing a year-on-year increase of 130.1%, and the total revenue generated from domestic payment business was RMB169.5 million, representing a year-on-year increase of 117.8%, mainly due to the substantial increase in volume of innovative products in the first half of 2024 following the completion of the initial product launch last year. At the same time, we continued to strengthen business innovation and incubated new products in the first half of 2024. We creatively utilised our global layout and global payment capabilities to launch corporate wallet products to assist customers in facilitating payments conveniently on a global scale and optimizing their financial management processes and internal control processes. At present, the product has been gradually promoted in state-owned enterprises, listed companies, industry leaders and small and medium-sized enterprises, demonstrating strong market penetration and business potential.

In terms of value-added services, the Company's total revenue from value-added services for the six months ended June 30, 2024 was RMB66.8 million, representing a year-on-year increase of 41.2%. Mainly due to the traffic contribution brought by the growth of digital payment business.

Looking to the future, the Company will continue to adhere to its existing development strategy, focus on innovation and efficient execution, and deeply develop the payment and digital support capabilities for global expansion of Chinese products and production capacity. We believe that as the environment of the global political and economic landscape becomes increasingly complex and volatile, assisting Chinese enterprises to develop their businesses in compliance with laws and regulations on a global scale, and systematically improving the efficiency, convenience and safety of the circulation process through the global layout of compliant payment and settlement network and a comprehensive digital capabilities of the circulation end and being rooted in China's solid industrialization foundation and production capacity advantages will have increasingly important systemic value. Lianlian will be committed to providing global payment and digital transformation solutions for Chinese companies on the basis of compliance with the global compliance framework, and continue to contribute value to the growth and efficiency of Chinese companies.

## FINANCIAL REVIEW

### Revenue

Our revenue for the six months ended June 30, 2024 was RMB617.4 million, representing an increase of 40.1% compared with the same period last year, primarily attributable to (i) an increase in revenue generated from our digital payment services of RMB158.7 million; (ii) an increase in revenue generated from value-added services of RMB19.5 million, partially offset by a decrease in other revenue of RMB1.3 million.

The following table sets forth the breakdown of our revenue for the periods indicated:

Revenue	Six months ended June 30,		Change	Change in %
	2024	2023		
	<i>(RMB in thousands)</i>			
<b>Digital payment services</b>	<b>541,888</b>	383,231	158,657	41.4%
– Global payment <sup>(1)</sup>	<b>372,374</b>	305,383	66,991	21.9%
– Domestic payment <sup>(2)</sup>	<b>169,514</b>	77,848	91,666	117.8%
<b>Value-added services</b>	<b>66,773</b>	47,303	19,470	41.2%
<b>Others<sup>(3)</sup></b>	<b>8,726</b>	10,055	(1,329)	(13.2)%
<b>Total</b>	<b>617,387</b>	440,589	176,798	40.1%

#### Notes:

- (1) Refers to payments that occur across borders or outside China.
- (2) Refers to payment transactions that occur in China.
- (3) In addition to our core business of offering digital solutions, we also operate certain other businesses, primarily including property rental.

### Digital Payment Services:

The substantial majority of our revenue is generated from our digital payment services, including global payment and domestic payment. Our revenue generated from digital payment services for the six months ended June 30, 2024 was RMB541.9 million, representing an increase of RMB158.7 million, or 41.4%, compared with the same period last year. The increase is mainly attributable to: (i) revenue from global payment increased by RMB67.0 million, representing an increase of 21.9% compared with the same period last year, driven by the continued growth of TPV for the global payment services; and (ii) revenue from domestic payment increased by RMB91.7 million, representing an increase of 117.8%, mainly due to the substantial increase in TPV of domestic payment services of 130.1% compared with the same period last year.

### Value-added Services:

Our revenue generated from value-added services for the six months ended June 30, 2024 was RMB66.8 million, representing an increase of RMB19.5 million or 41.2% compared with the same period last year, mainly due to the rapid expansion of digital marketing services.

### Other Revenue:

We also generate a small amount of revenue from other sources including rental income from providing property rental services with respect to our self-owned properties. Other revenue remained relatively stable for the six months ended June 30, 2024.

### **Cost of Sales**

Our cost of sales for the six months ended June 30, 2024 was RMB292.5 million, representing an increase of RMB122.1 million or 71.6% compared with the same period last year; primarily attributable to (i) compared with the same period last year, the TPV of the global payment services increased by 35.4% while the TPV of the domestic payment services increased by 130.1% as we actively assist China's outbound production capacity, expand to new e-commerce platforms and payment channels resulting in the corresponding cost of digital payment services to increase by RMB105.3 million, representing an increase of 79.6%; (ii) due to the increase in service fees paid to channel partners due to the rapid expansion of digital marketing services, the cost of value-added services increased by RMB16.5 million, representing an increase of 50.6%.

## Gross Profit and Gross Profit Margin

As a result of the above, our gross profit for the six months ended June 30, 2024 was RMB324.9 million, representing an increase of 20.3% compared with the same period last year; the gross profit margin was 52.6%, decreased by 8.7 percentage points compared with the same period last year, primarily attributable to the expansion of pay-out services in domestic payment services with lower gross profit margin. Among which, (i) the gross profit of global payment was RMB270.2 million, representing an increase of RMB43.8 million or 19.3% compared with the same period last year; with a gross profit margin of 72.6%, which was basically stable; (ii) the gross profit of domestic payment was RMB34.1 million, representing an increase of RMB9.6 million compared with the same period last year, representing an increase of 39.0%; with a gross profit margin of 20.1%, representing a decrease of 11.4 percentage points compared with the same period last year, mainly due to changes in the composition of revenue, while the gross profit margin of the same services remained stable; and (iii) the gross profit of value-added services was RMB17.9 million, representing an increase of RMB3.0 million compared with the same period last year, and an increase of 20.7%; with a gross profit margin of 26.9%, representing a slight decrease of 4.6 percentage points compared with the same period last year, mainly due to the substantial increase in digital marketing services with lower profit margins.

## Selling and Marketing Expenses

	Six months ended June 30,		Change	Change in %
	2024	2023		
	<i>(RMB in thousands)</i>			
Selling and marketing expenses	<u>108,883</u>	<u>84,962</u>	<u>23,921</u>	<u>28.2%</u>
Less:				
Share-based compensation expenses	(7,497)	(3,453)	(4,044)	117.1%
Adjusted selling and marketing expenses (Non-IFRS measure) <sup>(1)</sup>	<u>101,386</u>	<u>81,509</u>	<u>19,877</u>	<u>24.4%</u>

*Note:*

(1) Refers to selling and marketing expenses (no-IFRS measure) after excluding share-based compensation expenses.

Our selling and marketing expenses for the six months ended June 30, 2024 were RMB108.9 million, representing an increase of RMB23.9 million or 28.2% compared with the same period last year; after excluding share-based compensation expenses, the adjusted selling and marketing expenses were RMB101.4 million, representing an increase of RMB19.9 million or 24.4% compared with the same period last year, mainly due to our intensified promotional activities related to customer acquisition and industry coverage in order to expand our business.

## General and Administrative Expenses

	<b>Six months ended June 30,</b>			
	<b>2024</b>	2023	Change	Change in %
	<i>(RMB in thousands)</i>			
General and administrative expenses	<u>290,244</u>	<u>153,699</u>	<u>136,545</u>	<u>88.8%</u>
Less:				
Share-based compensation expenses	(93,075)	(30,513)	(62,562)	205.0%
Listing expenses	(7,799)	(4,339)	(3,460)	79.7%
Adjusted general and administrative expenses (Non-IFRS measure) <sup>(1)</sup>	<u>189,370</u>	<u>118,847</u>	<u>70,523</u>	<u>59.3%</u>

Note:

- (1) Refers to general and administrative expenses (non-IFRS measure) after excluding (i) share-based compensation expenses and (ii) listing expenses.

Our general and administrative expenses for the six months ended June 30, 2024 were RMB290.2 million, representing an increase of RMB136.5 million compared with the same period last year; after excluding share-based compensation expenses and listing expenses related to the Global Offering in compliance with international accounting standards, the adjusted general and administrative expenses were RMB189.4 million, representing an increase of RMB70.5 million or 59.3% compared with the same period last year; mainly due to (i) the increase of 25.0% or RMB29.7 million (also related to the global offering) not meeting the exclusion criteria of the non-IFRS measures for one-off listing expenses; and (ii) the remaining 34.3% increase mainly attributable to the Company's increased investment in new strategic initiatives.

## Research and Development Expenses

	<b>Six months ended June 30,</b>			
	<b>2024</b>	2023	Changes	Changes in %
	<i>(RMB in thousands)</i>			
Research and development expenses	<u>147,469</u>	<u>119,377</u>	<u>28,092</u>	<u>23.5%</u>
Less:				
Share-based compensation expenses	(26,281)	(9,200)	(17,081)	185.7%
Adjusted research and development expenses (Non-IFRS measure) <sup>(1)</sup>	<u>121,188</u>	<u>110,177</u>	<u>11,011</u>	<u>10.0%</u>

Note:

- (1) Refers to research and development expenses (non-IFRS measure) after excluding share-based compensation expenses.

Our research and development expenses for the six months ended June 30, 2024 were RMB147.5 million, representing an increase of RMB28.1 million as compared to the same period last year; After excluding share-based compensation expenses, adjusted research and development expenses were RMB121.2 million, representing an increase of RMB11.0 million or 10.0% as compared with the same period last year, which was mainly due to our continuous investment in technology innovation.

## **Other Income**

Our other income for the six months ended June 30, 2024 were RMB89.5 million, representing an increase of RMB56.1 million, or 168.2%, compared with the same period last year. Primarily due to a significant increase in interest income on customer accounts driven by our TPV growth and interest rate hikes on multiple foreign currencies.

## **Other (Losses)/Gains – Net**

Our other losses for the six months ended June 30, 2024 were RMB2.4 million, compared with other gains of RMB16.3 million for the same period last year, other losses were mainly due to changes in the fair value of a financial assets at fair value through profit or loss due to fluctuations in the exchange rate of the yen, and the withdrawal of related party loans in May 2023, as a result, there was no interest income on borrowing to related parties occurred this year.

## **Provision for Impairment on Financial Assets**

Our impairment on financial assets refers to the credit loss assessment and movement in allowance for the impairment of trade receivables and other receivables. The impairment loss of financial assets for the six months ended June 30, 2024 was RMB3.4 million, representing an increase of RMB1.5 million compared with the same period last year, which was in line with the increase of the Company's trade receivables.

## **Finance Costs – Net**

Our finance costs – net for the six months ended June 30, 2024 was RMB6.4 million, representing an increase of RMB2.2 million compared with the same period last year, mainly due to an increase in bank borrowings.

## **Share of Net Loss of Associates Accounted for Using the Equity Method**

Our share of the net loss of associates accounted for using the equity method for the six months ended June 30, 2024 was RMB202.7 million, representing a decrease of RMB133.3 million or 39.7% compared with the same period last year; primarily due to the narrowed share of loss in LianTong.

## **Income Tax Expense**

Our income tax expense for the six months ended June 30, 2024 was RMB2.9 million, representing an increase of RMB0.6 million compared with the same period last year, mainly due to our increased current income tax expense.



## Non-IFRS Measures

We define EBITDA (Non-IFRS measure) as loss for the periods adjusted by adding back (i) income tax expense, (ii) finance costs – net, and (iii) depreciation and amortization, which are non-cash in nature. We define adjusted EBITDA (Non-IFRS measure) as EBITDA (Non-IFRS measure) adjusted by adding back (i) listing expenses, which relate to the Global Offering, and (ii) share-based compensation expenses, which are non-cash in nature. We have made such adjustments consistently during the Track Record Period complying with Chapter 3.11 of the Guide for New Listing Applicants issued by the Stock Exchange. We believe that non-IFRS measures facilitate the comparisons of operating performance from period to period and company to company and provide useful information to investors and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of Non-IFRS measures for the periods may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

The following tables reconcile non-IFRS measures for the periods presented in accordance with IFRS Accounting Standards:

<b>Reconciliation</b>	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<i>(RMB in thousands)</i>	
Loss for the period	<u>(349,957)</u>	<u>(382,533)</u>
Add:		
Income tax expense	2,943	2,287
Finance costs – net	6,366	4,201
Depreciation of property, plant and equipment	6,827	6,866
Depreciation of right-of use assets	5,904	4,294
Depreciation of investment properties	2,012	2,002
Amortization of intangible assets	2,041	1,847
<b>EBITDA<sup>(1)</sup> (Non-IFRS measure)</b>	<u><b>(323,864)</b></u>	<u><b>(361,036)</b></u>
Add:		
Share-based compensation expenses <sup>(2)</sup>	127,641	43,316
Listing expenses	7,799	4,339
<b>Adjusted EBITDA<sup>(3)</sup> (Non-IFRS measure)</b>	<u><b>(188,424)</b></u>	<u><b>(313,381)</b></u>

### Notes:

- (1) EBITDA (Non-IFRS measure) refers to loss for the years adjusted by adding back (i) income tax expense, (ii) finance costs – net, and (iii) depreciation and amortization, which are non-cash in nature.
- (2) Our share-based compensation expenses consist of share options granted under the equity-settled share option schemes and incentive shares or shares granted to our employees. Such expenses in any specific period are not expected to result in future cash payments.
- (3) Adjusted EBITDA (Non-IFRS measure) refers to EBITDA (Non-IFRS measure) adjusted by adding back (i) listing expenses, which relate to the Global Offering, and (ii) share-based compensation expenses, which are non-cash in nature.

## Loss for the Period

In summary, we suffered a loss of RMB350.0 million during the Reporting Period, representing a decrease of RMB32.6 million compared with the same period last year, which has narrowed by 8.5%. After excluding (i) share-based compensation expenses of RMB127.6 million; and (ii) expensed listing expenses of RMB7.8 million, the Non-IFRS adjusted loss amounted to RMB214.6 million. It further includes a) losses of RMB201.5 million attributable to LianTong; and b) one-time listing expenses related to the Global Offering but not in compliance with the exclusion criteria of the non-IFRS measures of RMB29.7 million. After excluding the above, Lianlian's daily business generated operating profit of RMB16.6 million.

## Liquidity and Financial Resources, Treasury Policies and Capital Structure

**Six months ended June 30,**  
**2024**                      **2023**  
*(RMB in thousands)*

The following table sets forth our cash flows for the period indicated:

Net cash (used in)/generated from operating activities	<u>(102,890)</u>	<u>53,151</u>
Net cash (used in)/generated from investing activities	<b>(106,916)</b>	5,345
Net cash generated from/(used in) financing activities	<b>590,270</b>	(16,253)
Net increase in cash and cash equivalents	<b>380,464</b>	42,243
Cash and cash equivalents at beginning of the period	<u>189,840</u>	<u>145,504</u>
Effects of exchange rate changes on cash and cash equivalents	<b>5,284</b>	5,237
Cash and cash equivalents at end of the period	<u><b>575,588</b></u>	<u>192,984</u>

During the Reporting Period, our net cash used in operating activities was RMB102.9 million, mainly due to a loss of RMB347.0 million before income tax (most of which were non-cash items), which mainly includes (i) an attributable investment loss of RMB202.7 million calculated using the equity method (which is mainly attributable to our investment in LianTong); (ii) share-based compensation expenses of RMB127.6 million; (iii) changes in working capital of RMB122.1 million, mainly reflecting changes in trade receivables, other receivables and other payables.

Net cash used in investing activities was RMB106.9 million, mainly due to RMB96.7 million in cash used to purchase capital guaranteed wealth management products and other financial investment products as well as RMB10.2 million in cash paid for the purchase and construction of property, plant and equipment and intangible assets.

Net cash generated from financing activities amounted to RMB590.3 million, which mainly includes the net proceeds of RMB563.0 million from the Global Offering and the net proceeds of RMB37.0 million from borrowings, these amounts were offset by the principal and interest payments of RMB6.9 million on the lease liability.

The Company's bank loans for the six months ended June 30, 2024 was RMB484.5 million.

As of June 30, 2024, the total amount of long-term bank borrowings is RMB145.4 million, with an interest rate of 4.0% (December 31, 2023: 4.0%), which have to be repaid by September 20, 2037. The total amount of short-term bank borrowings is RMB339.2 million, with a maturity of one year or less and an annual interest rate of 3.45% to 4.40% (December 31, 2023: 3.80% to 4.65%). As of June 30, 2024, the unutilized bank loans were approximately RMB602.6 million. Bank borrowings are denominated in RMB. The Group has complied with the loan financial contract during the Reporting Period. The Company does not use any financial instruments for hedging. The Group maintains sufficient liquidity to meet its daily administrative and capital expenditure requirements and can control its internal operating cash flow.

We have adopted a treasury and investment policy which sets out overall principles as well as detailed approval processes of our investment activities. Such activities include, among other things, wealth management products, short or long-term loans, investments in subsidiaries, joint ventures, and other equity investments.

The H Shares have been listed on the Stock Exchange since the Listing Date. There has been no change in the capital structure of the Company since the Listing Date and up to the date of this announcement. The capital of the Company comprises ordinary shares of the Company including H Shares and Unlisted Shares.

## **Inventories**

As of June 30, 2024, the Group's inventories amounted to RMB0.7 million, which remained stable as compared to the inventories as at December 31, 2023.

## **Capital Expenditures**

During the Reporting Period, the capital expenditure of the Group was RMB10.2 million, which mainly includes the purchase of property and equipment and the purchase of intangible assets such as computer software. The Company mainly uses cash from operating activities to fund capital expenditures. The Company intends to use the Company's existing cash balances, bank and other borrowings and proceeds from the Global Offering to finance the Company's future capital expenditures and long-term investments. The Company may reallocate funds for capital expenditure and long-term investment based on continuing business needs.

## **Customer Accounts and Restricted Cash**

Our customer accounts mainly refer to (i) funds collected and awaiting disbursement as requested; (ii) service fees earned by the Group arising from completed digital payment services which has not been withdrawn from customer deposit bank accounts; and (iii) deposits made by the Group to meet requests from customers seeking expedited settlements. Other restricted cash is mainly performance guarantee for the payment business. As of June 30, 2024, our customer accounts and restricted cash amounted to RMB10,197.2 million, representing an increase of RMB1,013.3 million compared with December 31, 2023, mainly due to an increase of RMB1,012.6 million in customer accounts brought about by the increase in TPV and revenue.

## **Accruals and Other Payables**

Our accruals and other payables mainly include payables to merchants and other customers, staff costs and welfare accruals. As of June 30, 2024, our accruals and other payables amounted to RMB10,276.9 million, representing an increase of RMB965.0 million compared with December 31, 2023, among which 98.2% was payables to merchants and other customers, which was in line with the growth trend of customer accounts.

## **Trade Receivables**

Our trade receivables are amounts due from customers for the provision of services in the ordinary course of business. As of June 30, 2024, our trade receivables amounted to RMB96.3 million, representing an increase of RMB28.7 million compared with December 31, 2023; mainly due to revenue growth and the need to cooperate with more commercial banks and large enterprises to develop our business due to changes in our customer portfolio, the settlement cycles of commercial banks and large enterprises are relatively longer, resulting in larger balances of trade receivables. We have made adequate provisions for commercial banks and large enterprises on the basis of their overall business reputation and credit ratings.

## **Trade Payables**

Our trade payables primarily consist of payable for service charge to channel partners and payable for processing fees to financial institutions and payment networks. As of June 30, 2024, our trade payables amounted to RMB76.0 million, representing a change of 0.02% compared to December 31, 2023, which were relatively stable.

## **Prepayments, Other Receivables and Other Current Assets**

Our prepayments, other receivables and other current assets primarily include prepaid expenses, advance paid on behalf of customers, value-added tax recoverable and deposits for payment channels and rentals. As of June 30, 2024, the balance was RMB116.9 million, representing an increase of RMB37.9 million as compared to December 31, 2023, mainly due to the increase in security deposits required to further develop the global payment business and expand payment channels.

## **PLEDGE OF ASSETS**

As of June 30, 2024, the Group pledged (i) investment properties with net book value of RMB163.0 million, (ii) buildings with net book value of RMB103.6 million, and (iii) land use rights of RMB2.8 million for the Group's bank borrowings of RMB156.6 million. These borrowings are for general business operation purposes.

## **CONTINGENT LIABILITIES**

As of June 30, 2024, we did not have any contingent liabilities.

## **SHARE PLEDGE**

During the Reporting Period, there was no pledge by our Controlling Shareholders of their interests in the Shares to secure our debts or to secure guarantees or other support of its obligation before the Listing.

## **GEARING RATIO**

As of June 30, 2024, our gearing ratio, calculated as total borrowings divided by the total equity as at the end of the period, was approximately 51.8%.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, as of June 30, 2024, we did not have plans for material investments and capital assets.

## **EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES**

The Group operates internationally and is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company and its subsidiaries. The functional currency of most of the Group's subsidiaries outside the PRC is US dollars. For the foreign exchange risk derived from the future settlement of customer accounts from the global payment services of the Group, which are reflected on the balance sheet as customer accounts and other payables at the end of the Reporting Period, the Group considers that the businesses in the PRC or overseas are not exposed to any significant foreign exchange risk as customer accounts and other payables of these subsidiaries are mainly denominated in their respective functional currency.

In addition, we may face foreign exchange risk arising from fluctuations in exchange rates within the interval between a customer initiates a foreign exchange transaction and our execution of the order with relevant banks and other financial institutions outside of China. In order to mitigate the potential risk, we leverage our platform with real-time reference quotations to implement the so-called “back-to-back” trading strategy to promptly execute the corresponding order to shorten such interval and accordingly avoid exchange rate fluctuation risks.

## **SIGNIFICANT INVESTMENT AND MATERIAL EVENT DURING THE REPORTING PERIOD**

As of June 30, 2024, the Group did not make any significant investments (including any investment in an investee company with a value of 5% or more of the Group’s total assets as of June 30, 2024).

## **EMPLOYEES AND REMUNERATION POLICIES**

As of June 30, 2024, we had a total of 1,006 employees, 91.65% of which were based in the PRC and 8.35% were based overseas, primarily in Southeast Asia and the United States. For the six months ended June 30, 2024, the total employee benefits (including directors’ remuneration) amounted to RMB385.7 million.

Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of the core strengths of our Company. We adopt high standards and strict procedures in our recruitment, including campus recruitment, online recruitment, internal recommendation and recruitment through executive search, to meet the needs of our Company. We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with all of our executive officers and the vast majority of our employees. We enter into standard employment contracts and confidentiality agreements with our employees. We also enter into non-competition agreements with certain key employees. We place great emphasis on providing our employees with platforms and opportunities for self-improvement. We provide regular and specialized training tailored to the needs of our employees in different departments. We have also launched an online learning platform to complement our existing offline training initiatives. In addition to our internal training programs, we also engage external trainers. All training sessions are conducted periodically and in stages to ensure our employees’ continuous learning and development.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund.

As of June 30, 2024, we established labor unions in China, which may represent employees for the purpose of collective bargaining. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Reporting Period.

The Company also has adopted the Pre-IPO Share Option Schemes to improve the Company’s incentive mechanism, attract and retain talents and to motivate employees to ensure the achievement of the Company’s development goals. Please refer to the section headed “Statutory and General Information — Pre-IPO Share Option Schemes” in Appendix VIII to the Prospectus.

## OTHER INFORMATION

### USE OF PROCEEDS

The net proceeds from the Global Offering (after deducting the underwriting fees and commissions and related costs and expenses) amounted to approximately HK\$548.0 million. There is no change to the intended use of net proceeds and the expected implementation timetable as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As of June 30, 2024, the Company had utilized approximately HK\$68.1 million of net proceeds from the Global Offering, representing approximately 12.4% of the total net proceeds from the Global Offering, in accordance with the intended use set out in the Prospectus. The following table sets out breakdown of the use of proceeds from the Global Offering:

Use of net proceeds	Percentage of net proceeds	Estimated net proceeds allocated as disclosed in the Prospectus (HK\$ million)	Allocated net proceeds from the Global Offering (HK\$ million)	Net proceeds utilized since the Listing and up to June 30, 2024 (HK\$ million)	Expected timeline of full utilization of net proceeds	Remaining Amount (HK\$ million)
<b>To enhance our technological capabilities</b>	60.0%	291.0	328.8	40.7	By March 31, 2029	288.1
(i) To invest in the development of advanced technologies that are pivotal to our business operation, future growth and our ability to remain competitive in the industry	30.0%	145.5	164.4	25.5	By March 31, 2029	138.9
(ii) To develop, iterate and promote innovative solutions, which can help us to cater additional customer needs besides current digital payment services and diversify our value-add services	20.0%	97.0	109.6	4.1	By March 31, 2029	105.5
(iii) For maintenance and improvement of our existing technology infrastructure to ensure reliability and security	10.0%	48.5	54.8	11.1	By March 31, 2029	43.7

Use of net proceeds	Percentage of net proceeds	Estimated net proceeds allocated as disclosed in the Prospectus (HK\$ million)	Allocated net proceeds from the Global Offering (HK\$ million)	Net proceeds utilized since the Listing and up to June 30, 2024 (HK\$ million)	Expected timeline of full utilization of net proceeds	Remaining Amount (HK\$ million)
<b>To expand our business operations globally</b>	30.0%	145.5	164.4	-	By March 31, 2029	164.4
(iv) To enhance our market presence in overseas markets, notably in Southeast Asia, the Middle East and South America, and to build and expand our overseas team to broaden our customer base and strengthen our service capability	20.0-25.0%	97.0-121.3	109.6-137.0	-	By March 31, 2029	109.6-137.0
(v) To apply and obtain additional licenses globally	5.0-10.0%	24.3-48.5	27.4-54.8	-	By March 31, 2029	27.4-54.8
<b>For future strategic investment and acquisitions to enrich our service and product offerings, enhance our technology capabilities and strengthen our international operations</b>	5.0%	24.3	27.4	-	By March 31, 2029	27.4
<b>For general corporate purposes and working capital needs</b>	5.0%	24.3	27.4	27.4	By March 31, 2029	-
<b>Total</b>	100.0%	485.1	548.0	68.1	-	479.9

The Company does not have any intention to change the purposes of the proceeds from the Global Offering as set out in the Prospectus, and will gradually utilize the net proceeds from the Global Offering with the intended purposes.

## CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance with effect from the Listing Date.

During the period from the Listing Date to June 30, 2024, the Company has complied with all the principles and applicable code provisions contained in Part 2 of the CG Code.

In addition, the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently consists of five executive Directors and three independent non-executive Directors. Therefore, we consider that the Board has a fairly strong independence element in its composition.

The Directors will continue to review the corporate governance policies and compliance with the CG Code and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company from time to time.



## **SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted the Model Code to regulate all dealings by the Directors, the Supervisors and relevant employees of securities in the Company and other matters covered by the Model Code since the Listing Date. Having made specific enquiry with all the Directors and Supervisors of the Company, all the Directors and Supervisors confirmed that they have strictly complied with the required standards set out in the Model Code during the period from the Listing Date to the date of this announcement.

No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company during the period from the Listing Date to June 30, 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period from the Listing Date up to June 30, 2024, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares) listed on the Stock Exchange. As of June 30, 2024, the Company did not hold any treasury shares.

## **MATERIAL LEGAL PROCEEDINGS**

During the Reporting Period, no member of the Group was involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: Nil).

## **AUDIT COMMITTEE**

The Audit Committee, which comprises three independent non-executive Directors, namely, Mr. Wong Chi Kin (chairperson of the Audit Committee), Mr. Chun Chang and Ms. Lin Lanfen, has adopted written terms of reference, in accordance with the Listing Rules and the CG Code, which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has considered and reviewed, with no disagreement, with the management the unaudited interim consolidated results for the six months ended June 30, 2024 and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee considers that the interim consolidated results for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The interim condensed consolidated financial information is unaudited but have been reviewed by the Group's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this announcement, there were no other significant events affecting the Group which occurred after June 30, 2024 and up to the date of this announcement.

## PUBLICATION OF INTERIM RESULTS AND 2024 INTERIM REPORT

This interim results announcement is published on the website of the Company (www.lianlian.com) and the website of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be despatched to the Shareholders who have requested corporate communications in printed copy and published on the respective websites of the Company and the Stock Exchange within the prescribed time and in accordance with the requirements under the Listing Rules.

## DEFINITIONS

“AGM”	the annual general meeting of the Company held on Friday, June 7, 2024
“Articles” or “Articles of Association”	amended and restated articles of association of the Company approved by Shareholders at the extraordinary general meeting of the Company held on July 15, 2024, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Board” or “Board of Directors”	board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in of Appendix C1 to the Listing Rules
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“Chuanglianzhixin”	Hangzhou Chuanglianzhixin Investment L.P. (杭州創連致新投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 11, 2017, one of our Controlling Shareholders
“Company” “our Company” “the Company” or “Lianlian”	Lianlian DigiTech Co., Ltd. (連連數字科技股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 2, 2009 and listed on the Stock Exchange on March 28, 2024 (Stock code: 2598)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this interim report, refers to the controlling shareholders of our Company, namely Mr. Zhang Zhengyu (章徵宇), Chuanglianzhixin, Mr. Lu Zhonglin (呂鐘霖) and Ms. Xiao Sequ (肖瑟秋)

“Director(s)”	director(s) of the Company
“Global Offering”	an offering of 64,300,000 H Shares, comprising a final Hong Kong public offering of 19,290,000 H Shares and a final international public offering of 45,010,000 H Shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and our subsidiaries
“H Share(s)”	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“IFRS Accounting Standards”	International Financial Reporting Standards
“Lianlian International”	Lianlian International Company Limited (連連國際支付有限公司), a Company incorporated in Hong Kong on June 20, 2016 and one of our subsidiaries
“LianTong”	Express (Hangzhou) Technology Services Company Limited (連通(杭州)技術服務有限公司)
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	March 28, 2024, the date on which the H Shares of the Company were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated March 20, 2024
“Reporting Period”	the six months ended June 30, 2024

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company with nominal value of RMB1.00 each including our domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the Supervisory Committee of the Company
“Supervisory Committee“	the supervisory committee of our Company
“TPV”	total transaction payment volume
“VAT”	Value-added tax
“%”	Per cent

By order of the Board  
**Lianlian DigiTech Co., Ltd.**  
**Zhang Zhengyu**  
*Chairman*

Hong Kong, August 20, 2024

*As of the date of this announcement, the Board of Directors of the Company comprises Mr. Zhang Zhengyu, Mr. Xin Jie, Ms. Wei Ping, Mr. Zhu Xiaosong and Mr. Wang Yu as executive Directors, Mr. Chun Chang, Mr. Wong Chi Kin and Ms. Lin Lanfen as independent non-executive Directors.*