Yeahka 移卡

**YEAHKA LIMITED**
**移卡有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 9923)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board (the "**Board**") of directors (the "**Directors**") of YEAHKA LIMITED (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2020 together with the comparative figures for the six months ended June 30, 2019. These interim results have been reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the "**Auditor**"), in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company (the "**Audit Committee**").

In this announcement, "Yeahka","we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

## KEY OPERATING DATA

| | **For the six months ended June 30, 2020** | For the six months ended June 30, 2019 | Change (%) |
|---|---|---|---|
| **One-stop Payment Services** | | | |
| GPV *(RMB in million)* | **634,637** | 757,857 | –16.3 |
| – App-based payment services | **353,856** | 426,358 | –17.0 |
| – Traditional payment services | **280,781** | 331,499 | –15.3 |
| Average Fee Rate *(bps)* | **13.9** | 13.1 | 6.3 |
| – App-based payment services | **18.6** | 16.3 | 14.2 |
| – Traditional payment services | **8.1** | 9.1 | –10.9 |
| Number of Active Payment Service Customers [(1)] *(thousand)* | **4,692** | 4,799 | –2.2 |
| Number of Business Service Customers *(thousand)* | **585** | 213 | 174.6 |

*Notes:*

(1) We define active payment service customers as merchants who use our services for an aggregated transaction amount of over RMB1,000 for the past 12 months.

## KEY FINANCIAL DATA

| | Six months ended June 30, | | Year on year change |
|---|---|---|---|
| | **2020** | 2019 | |
| | ***RMB'000*** | *RMB'000* | *(%)* |
| | **(unaudited)** | (unaudited) | |
| Revenue | **1,077,090** | 1,024,564 | 5.1 |
| – One-stop payment services | **885,110** | 994,559 | (11.0) |
| – App-based payment services | **658,576** | 694,551 | (5.2) |
| – Traditional payment services | **226,534** | 300,008 | (24.5) |
| – Technology-enabled business services | **191,980** | 30,005 | 539.8 |
| – Merchant SaaS products | **11,669** | 3,561 | 227.7 |
| – Marketing services | **144,324** | 11,253 | 1,182.5 |
| – Fintech services | **35,987** | 15,191 | 136.9 |
| Gross profit | **330,955** | 284,004 | 16.5 |
| Gross margin | **30.7%** | 27.7% | 3.0(1) |
| Profit/(loss) for the period | **222,641** | (18,648) | N/A |
| Earnings/(losses) per share attributable to equity holders of the Company (expressed in RMB per share) | | | |
| – Basic | **1.07** | (0.39) | |
| – Diluted | **0.33** | (0.39) | |

*Note:*

(1) Percentage points.

We incurred a profit of RMB222.6 million for the six months ended June 30, 2020 while we recorded a loss of RMB18.6 million for the comparative period in 2019, primarily due to the increase in our profits from technology-enabled business services and gains from fair value changes of convertible redeemable preferred shares.

Revenue from our one-stop payment services decreased by 11.0% from RMB994.6 million for the six months ended June 30, 2019 to RMB885.1 million for the comparative period in 2020, primarily due to the decrease in the total gross payment volume ("**GPV**") we processed by 16.3% from RMB757.9 billion for the six months ended June 30, 2019 to RMB634.6 billion for the comparative period in 2020 resulting from the outbreak of the respiratory illness caused by a novel coronavirus, COVID-19 (the "**Pandemic**").

Revenue from our technology-enabled business services increased by 539.8% from RMB30.0 million for the six months ended June 30, 2019 to RMB192.0 million for the comparative period in 2020 as a result of our rapid growth in all types of technology-enabled business services.

## BUSINESS REVIEW AND OUTLOOK

### Business Review

The Company is a leading payment-based technology platform dedicated to creating value for merchants and consumers. The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in June 2020 under stock code: 09923.HK. The Company's principal business lines include technology-enabled business services, which consist a combination of marketing services, merchant SaaS products and fintech services, and one-stop payment services.

### Company Strategy

In the first half of 2020, the Pandemic imposed a significant impact on China's macro-economic conditions and business environment. However, challenges came with opportunities. The Pandemic exacerbated the need for digital transformation of small and micro merchants. In pursuing its mission to "continuously create value for merchants and consumers", the Company focused on the needs of millions of small and micro merchants in China, using payment services as the entry point to strengthen its technology platform, and continuously providing merchants with comprehensive technology-enabled business services in support of "small-store economy". For the six months ended June 30, 2020 (the "**Period**" or the "**Reporting Period**"), the Company continued to increase investments in research and development to enhance its system capabilities, big data analytics and artificial intelligence technology. In addition, with its research and development capabilities and cooperation with various partners, the Company delivered diversified technology-enabled business services and products to meet the needs of merchants and address their pain points, and to provide offline small and micro merchants with the necessary infrastructure for growth, providing them with helps that range from setting up stores, operation, customer acquisition to smart operation and further to expanding business scale and extending life cycles. Leveraging its forward-looking vision, the Company is dedicated to incubating and nurturing more intelligent technology services and products, which will in turn consolidate the Company's position as a leading payment-based technology platform in China.

Using payment services as an entry point, the Company has reduced the cost of acquiring business service customers, enhanced merchants and consumers insights, and provided innovative services through continuous technology and product upgrade. Meanwhile, benefiting from synergies generated from the bi-directional and multi-directional interaction among various technology-enabled business services, the Company is able to cross sell through various independent merchant touch-points, which further enhances the accumulation of big data and strengthen user stickiness. This, in turn, will drive the continuous growth of the Company's payment business and help it build a closed-loop ecosystem that is based on payments and transcends payments. For the six months ended June 30, 2020, in terms of business development:

- Further diversifying payment channels and rapidly expanding app-based payment services. During the Period, the Company proactively extend the width and depth of its payment services coverage by Fushi Technology (Shenzhen) Co., Ltd (深圳市富匙科技有限公司) ("**Fushi**"), an exclusive partner of the Company that provides payment and merchant services, and expanding its range of distribution channel partners, including by actively forming vertical alliances with SaaS service providers along the supply chains, integrating its payment and technology-enabled business services into their systems to provide merchants with more comprehensive multi-scenario technology-enabled business services, thus further increasing customer stickiness and the scale of the Company' s QR code payment service business.

- Continuously optimizing and promoting Merchant SaaS products, including Smart Shopkeeper (智掌櫃), a leading integrated restaurant management solution. According to the Company's estimates, in the first half of 2020, Smart Shopkeeper consistently ranked the forefront in terms of both word of mouth and sales volume on various mainstream Chinese e-commerce platforms. In addition, Juhuisaosao (聚惠掃掃), an intelligent SaaS payment product that helps small and micro merchants reduce missing and lost orders, also achieved a rapid growth in terms of the number of merchant users during the Period.

- Centred upon the Company's artificial intelligence and machine learning powered Data Management Platform (the "**Data Management Platform**" or "**DMP**"), its precision marketing platform for advertisements has adopted a traffic platform strategy. Leveraging customer traffic from payment services, the Company has integrated nearly ten offline vertical use case scenarios, including refueling and parking, to enlarge its advertising inventory. At the same time, the Company is able to strengthen the integration of third-party user behavioral data with its transaction data to maximize the value of its marketing services.

- Due to the impact of the Pandemic on small and micro merchants, the Company's management team have established a rigorous risk control mechanisms for its fintech services, by reducing the amount of loans offered, and keeping delinquency rate at a relatively low level compared with the industry. Meanwhile, with the help of artificial intelligence and machine learning algorithms, the Company provided liquidity support to a selective premium small and micro merchants based on analytics results.

In addition, in terms of strategic cooperation, investments and acquisitions, the Company and its strategic shareholder, Recruit Holdings Co., Ltd ("**Recruit Holdings**"), a renowned Japanese internet company, have jointly established RYK Capital Partners Limited ("**RYK Capital Partners**"), an investment platform, having pursued strategic investments in order to rapidly expand the Company's strategic deployment in payments and business services. During the Period, through RYK Capital Partners, the Company increased its capital in Fushi, and strategically invested in Shenzhen Zhibaiwei Technology Development Co., Ltd. (深圳市智百威科技發展有限公司) ("**Zhibaiwei**"), to further cooperate with them on areas including integrated payments, SaaS products, marketing and other value-added services, in an effort of continuously shaping and developing the Company's smart ecosystem.

**Business Highlights and Summary**

For the six months ended June 30, 2020:

- Despite the impact of the Pandemic, the transaction counts of app-based payment services quickly recovered in the second quarter of 2020 and increased by 32.9% as compared with the first quarter.

- The Company continued to intensify the diversification of payment channels. The number of payment service partners in distribution channels, namely independent sales agents, sales partners, and SaaS partners, increased by 51.7% year-on-year to more than 9,000, among which, SaaS partners increased by 72.3% year-on-year to over 700. The daily peak payment transaction counts of Fushi increased to over 2.1 million, which was 17.2 times of that for the comparative period in 2019.

- The number of technology-enabled business service customers of the Company increased by 174.4% year-on-year to over 580,000.

- The Company's technology-enabled business services achieved breakthrough growth. During the Period, total impressions of the Company's precision advertising platform increased by 478.8% as compared with that of the second half of 2019. For merchant SaaS products, sales volume of Smart Shopkeeper for the Period increased by 107.8% from that for the comparative period in 2019. For fintech services, during the Period, a total of RMB213.6 million transactions were granted or facilitated, representing a decrease of 38.3% compared with the second half of 2019. During the Period, the Company's M1+ delinquency rate by vintage (over 30 days overdue) remained stably at 5.7%.

***Payment Services***

As the Company's entry point business, fast-growing app-based payment services can not only reduce customer acquisition costs and accumulate insights into transactions, operational and behavior of merchants and consumers, but also create opportunities for interactions among merchants, consumers and the Company's services. In addition, during the Period, by stepping up research and development efforts in technology systems, big data analytics and artificial intelligence, the Company's payment system has completed a number of upgrades, achieving transactional stability of 99.99% and daily processing capacity of over 100 million transactions, with a fraud loss rate of 0.00000674%.

During the Period, as the Pandemic brought about varying extents of impacts to offline businesses in the first half of 2020, the Company's GPV decreased by 16.3% year-on-year to RMB634,637.1 million; and the number of active payment service customers decreased by 2.2% year-on-year to 4.7 million. However, as the Pandemic became contained in China and the offline consumption began to recover, as of June 30, 2020, the Company's GPV and the number of active payment service customers have been increasing every month since the beginning of the second quarter of 2020. Further, benefiting from the promotional efforts of the Company's over 9,000 partners in distribution channels, including over 700 offline scenarios based SaaS partners from industries including food and beverages, retail, parking and refueling industry, coupled with the increasing number of consumers who turned to local community stores for necessities during the Pandemic, the number of consumers that the Company had served via its payment services reached 491.9 million as of June 30, 2020, representing a year-on-year increase of 115.5%. Moreover, transaction counts of the Company's app-based payment service recovered rapidly in the second quarter, increasing by 32.9% as compared with the first quarter.

During the Period, apart from diversifying its distribution channels and quickly obtaining insights on the operational demands of small and micro merchants in the digital economy era, through RYK Capital Partners, the Company increased its capital in Fushi, a one-stop technology platform that enables automated ordering, aggregated payment collection, delivery management, integrated billing and reporting, intelligent store management and fintech services. As of June 30, 2020, Fushi had reached more than 90,000 merchants in 16 cities across China, with daily peak payment transaction counts reached over 2.1 million, which increased an additional 34.0% to over 2.9 million at the end of July. During the Period, with the Company's products and technology support, Fushi has incorporated a membership function, which enables merchants to improve its customer loyalty and channel consumer traffic, and further to build up their own native traffic, providing a sound foundation for serving a growing number of merchants in the future.

***Marketing Services***

The Company strives to create a marketing platform for precision advertising based on offline traffic. Leveraging the customer base of the Company's payment services, the Company's platform aggregates traffic from multiple scenarios and intelligently matches it with targeted users, maximizing the value of the Company's marketing services. During the Period, the Company attracted a large amount of offline traffic from various QR code-based payment scenarios, including purchases from food and beverage establishments, car parks, gas stations, supermarkets and retailers, colleges and universities, as well as vending machines. This allowed the Company to accumulate a rich advertising inventory covering an extensive range of use case scenarios.

As the Company's advertising inventory is highly related to transactions and consumption scenarios, its platform has gained traction from traditional advertisers in industries such as e-commerce, gaming, online education and travel. At the same time, the Company's marketing platform for precision advertising enables micro and small merchants, the core customers of the Company, to effectively and accurately reach their targeted consumers using their offline payments and traffic data.

In March 2020, the Company launched Yuehuiquan (約惠圈), a coupon aggregation and distribution platform. Based on in-depth operation of Tencent WeChat and Mini Program, Yuehuiquan provides merchants with simple and easy-to-use marketing toolkits, including coupons, that enable merchants to effectively acquire customers through ultra-precise location-based advertising and consumer data labels, as well as to efficiently attract consumer traffic and establish their own native traffic. During the Period, Yuehuiquan was successfully integrated into the Company's ecosystem and across its merchant touchpoints, including Fushi, Smart Shopkeeper and Juhuisaosao. In the end, a value-transmission network connecting traffic on the Company's platform and merchant customers was established, so that to enhance the overall technology-enabled business service portfolio of the Company.

During the Period, Tuozhanbao Internet Financial Services (Shenzhen) Co., Ltd. (拓展寶互聯網金融服務(深圳)有限公司) ("**Tuozhanbao**") (the business operations of which have been subsequently transferred to Shenzhen Letuobao Technology Co., Ltd. (深圳樂拓寶科技有限公司) ("**Letuobao**")), which the Company acquired in 2019, contributed steady growth to the Company's marketing service revenue. As one of the industry leading providers of channel development tools, Letuobao provides the marketing team of merchant service providers with systematic customer relationship management (CRM) solutions, management systems, and comprehensive online and offline training courses, with an aim to improve the efficiency of their overall marketing services.

*Merchant SaaS Products*

The Company has integrated a variety of customized functions for specific use case scenarios into its merchant SaaS products. Through its merchant SaaS products, the Company provides various customized cloud intelligent business solutions to different industry verticals. The merchant SaaS products feature multiple innovative functions including inventory management, customer relationship management, order management, and employee management.

As of June 30, 2020, the Company has developed a wide variety of scenario-specific merchant SaaS products, including Smart Shopkeeper, an integrated restaurant management solution. As a SaaS product integrating both software and hardware, Smart Shopkeeper features a variety of business services and technology, such as payments, SaaS, marketing, and innovative artificial intelligence technologies. Furthermore, Smart Shopkeeper can be integrated with the Company's other marketing service products, such as Yuehuiquan, thus jointly providing one-stop solutions to merchants. As the Pandemic was largely brought under control, the food and beverage industry recovered rapidly. The Company proactively provides small and micro merchants with digital solutions and has been taking advantage of a transition where a large number of small and micro merchants have been switching from an "aggressive growth" to "quality growth" operating model. During the Period, the Company has increased the online and offline sales channels of Smart Shopkeeper. The sales volume for the Period increased by 107.8% from that for the comparative period in 2019. In addition to continuously improving merchant SaaS products and business services in the food and beverage industry, the Company has strategically invested in Zhibaiwei. By capitalizing on Zhibaiwei's business deployment in the retail sector covering maternal and infant supplies, clothing and supermarkets, the Company will integrate its various technology products and operational services with Zhibaiwei, to provide integrated cloud intelligent business solutions to small and micro merchants.

At the same time, the Company actively expanded the sales channels of its in-house developed product Juhuisaosao during the Period, a proprietary smart payment SaaS product that supports a wide range of integrated payment methods. The app features voice reminders for merchants when new payments arrive, thus minimizing the likelihood of missed or lost orders during rush hours. In addition, leveraging the big data capabilities of the Company's ecosystem, merchants' smart phones and WeChat Mini Program, Juhuisaosao enables merchants to gain additional insights into their business performance and facilitates business decisions by providing functions including multi-dimensional transaction reports and analysis, cash flow analysis and forecasts. As of June 30, 2020, the Company has provided Juhuisaosao to over 11,000 merchant customers.

*Fintech Services*

Based on nearly a decade of accumulated insights into the demands from its customers and consumers, the Company has developed a variety of fintech services, including loan facilitation services, entrusted loan services, and insurance referral services.

Since the beginning of 2020, the PRC Government has promoted inclusive finance and "small-store economy". Currently, small and micro businesses are still facing the challenges of financing difficulties and weak anti-risk capabilities. Leveraging on tons of data acquired from countless payment transactions, SaaS and marketing scenarios, the Company has built a borrower's behavior prediction model and customer profile scoring system, using deep learning artificial intelligence technology. The Company also cooperates with licensed financial institutions to achieve more effective risk identification and improve merchant customers' resilience to economic cycles.

During the Pandemic, the management of the Company has carried out more prudent risk control measures, including substantially tightening credit policies and raising lending standards to reduce the loan amount. To help small and micro merchants meet their short-term financial needs while minimizing risks, the Company used artificial intelligence and machine learning algorithms to analyze and categorize merchant database. Leveraging other SaaS and marketing products, the Company also aimed to improve the prospects of small and micro merchants and boost their growth. During the Period, the total amount of transactions that the Company facilitated was approximately RMB213.6 million, representing a decrease of 38.3% as compared with the second half of 2019, with a weighted average tenor of 9.5 months. As of June 30, 2020, the Company stabilized M1+ delinquency rate by vintage (over 30 days overdue) at around 5.7%, which demonstrates the effectiveness of the Company's credit risk management capabilities in various economic cycles. In addition, the steady growth of Company's insurance referral services, including the fund security insurance and deferred payment insurance developed together with cooperated insurance companies, have been maintained during the Period.

**Financial Review**

For the six months ended June 30, 2020:

- The Company improved its overall results as compared with the same period in 2019. Total revenue for the Period reached RMB1,077.1 million, representing an increase of 5.1% from that for the comparative period in 2019, mainly due to an increase in the revenue from technology-enabled business services. Meanwhile, the revenue contribution from technology-enabled business services rapidly increased to 17.8% from 2.9% for the same period in 2019, among which, marketing services revenue amounted to RMB144.3 million, representing an increase of 1,182.5% from that for the comparative period in 2019; merchant SaaS products revenue amounted to RMB11.7 million, representing an increase of 227.7% from that for the comparative period in 2019; and fintech services revenue amounted to RMB36.0 million, representing an increase of 136.9% from that for the comparative period in 2019.

- Gross profit amounted to RMB331.0 million, representing an increase of 16.5% from that for the comparative period in 2019. Among which, gross profit from technology-enabled business services amounted to RMB115.6 million, accounting for 34.9% of the Company's gross profit, as compared with 9.1% for the comparative period in 2019.

- The Company recorded a net profit of RMB222.6 million, as compared with a net loss of RMB18.6 million for the comparative period in 2019.

- Research and development expenses amounted to RMB55.6 million, representing an increase of 133.7% from that for the comparative period in 2019, mainly due to an increased number of research and development personnel and increased investments in systems, big data, product development as well as research and development in relation to artificial intelligence and machine learning.

**Outlook**

As a pioneer in providing diversified technology-enabled business services to offline small and micro merchants, the Company will continue to concentrate on its app-based payment services. The Company will develop a broader product portfolio, leveraging its industry-leading research and development capabilities, and increase its strategic investments to make deployment of Company's ecosystem. The Company will help merchants improve their efficiency and customer acquisition capabilities by further fulfilling their unmet digital needs over the entire life cycle. At the same time, the Company will continue to meet consumers' needs through merchants, creating more value for both customers and merchants. Meanwhile, the Company will gradually optimize and increase its product functionalities and types of technology-enabled services. With the integration and interaction among different products and functions, the Company will ultimately be able to build and enable a technology ecosystem for routing merchant data traffic.

As its entry point business, the Company will continue to invest in app-based payment services, and develop new technology-enabled services by utilizing its vast volumes of traffic and data. This will help further improve merchant stickiness, and strengthen the monetization abilities of merchants using their own consumer traffic. Furthermore, the Company will actively promote the penetration of its payments business into the lower end market, with the aim of grasping the untapped opportunities in a market with trillions of payments. The Company will also amplify its research on the application of cutting-edge technologies in payment, including biometric authorization and digital currencies.

For marketing services, the Company will continue to focus on diversifying media channels, advertiser resources acquisition, as well as big data mining and algorithmic optimization in order to improve the precision of advertisement placement across different use case scenarios. This will enhance the Company's traffic monetization ability and help advertisers improve the quality and effectiveness of their advertising efforts. Through the rapid development of the Company's app-based payment business, strategic cooperation, investments, acquisitions, and other expansion opportunities, the Company will rapidly expand the scale of its marketing platform for precision advertising and DMP, with the aim of achieving a sustainable and rapid business development.

For merchant SaaS products, the Company will continue to deepen its reach in the offline market, and launch more SaaS products by leveraging its merchants and consumers insights. As a result, the Company will be able to provide comprehensive and highly-efficient products that enable digital transformations.

The fintech industry has a market size of over RMB10.0 trillion and strong natural monetization capability, with a high ceiling. The Company will continue to be dedicated to providing small and micro merchants with a wider variety of fintech services. The Company believes that its resilient fintech services will grow rapidly once the economy rebounds.

## MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2020

| | For the six months ended June 30, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Revenue | **1,077,090** | 1,024,564 |
| Cost of revenue | **(746,135)** | (740,560) |
| **Gross profit** | **330,955** | 284,004 |
| Selling expenses | **(30,454)** | (34,012) |
| Administrative expenses | **(94,001)** | (56,336) |
| Research and development expenses | **(55,554)** | (23,770) |
| Impairment losses on financial assets | **(32,845)** | (6,204) |
| Other income | **7,385** | 2,981 |
| Other gains – net | **1,894** | 956 |
| **Operating profit** | **127,380** | 167,619 |
| Finance costs | **(4,587)** | (2,353) |
| Share of losses of investments accounted for using the equity method | **(4,265)** | (6,367) |
| Fair value changes of convertible redeemable preferred shares | **125,822** | (141,939) |
| **Profit before income tax** | **244,350** | 16,960 |
| Income tax expenses | **(21,709)** | (35,608) |
| **Profit/(loss) for the period attributable to equity holders of the Company** | **222,641** | (18,648) |

**Revenue**

We generate revenue primarily through our two main types of business, namely (i) one-stop payment services and (ii) technology-enabled business services. Our revenue increased by 5.1% from RMB1,024.6 million for the six months ended June 30, 2019 to RMB1,077.1 million for the comparative period in 2020, primarily due to the rapid growth of technology-enabled business services.

The following table sets forth our revenue by business type for the periods indicated:

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(unaudited)** | | (unaudited) | |
| **Revenue from one-stop payment services** | **885,110** | **82.2** | 994,559 | 97.1 |
| App-based payment services | **658,576** | **61.1** | 694,551 | 67.8 |
| Traditional payment services | **226,534** | **21.0** | 300,008 | 29.3 |
| **Revenue from technology-enabled business services** | **191,980** | **17.8** | 30,005 | 2.9 |
| Merchant SaaS products | **11,669** | **1.1** | 3,561 | 0.3 |
| Marketing services | **144,324** | **13.4** | 11,253 | 1.1 |
| Fintech services | **35,987** | **3.3** | 15,191 | 1.5 |
| **Total** | **1,077,090** | **100.0** | 1,024,564 | 100.0 |

***One-stop payment services***

Revenue from our one-stop payment services decreased by 11.0% from RMB994.6 million for the six months ended June 30, 2019 to RMB885.1 million for the comparative period in 2020, primarily due to the decrease in the total GPV we processed by 16.3% from RMB757.9 billion for the six months ended June 30, 2019 to RMB634.6 billion for the comparative period in 2020 resulting from the outbreak of the Pandemic which posed a degree of adverse impact to consumption in China, and hence demand for our payment services. The decrease in revenue for our one-stop payment services was partially offset by the slight increase in our payment service fee rate from 13.1 bps for the six months ended June 30, 2019 to 13.9 bps for the comparative period in 2020.

***Technology-enabled business services***

Revenue from our technology-enabled business services increased by 539.8% from RMB30.0 million for the six months ended June 30, 2019 to RMB192.0 million for the comparative period in 2020 as a result of our rapid revenue growth in all types of technology-enabled business services.

*Merchant SaaS products*

Revenue from our merchant SaaS products increased by 227.7% from RMB3.6 million for the six months ended June 30, 2019 to RMB11.7 million for the comparative period in 2020, primarily due to our continuing efforts in launching new products and improving existing products.

*Marketing services*

Revenue from our marketing services increased by 1,182.5% from RMB11.3 million for the six months ended June 30, 2019 to RMB144.3 million for the comparative period in 2020, primarily due to (i) the increase in the number of business service customers resulting from the accelerated customer conversion from active payment service customers, and our enhanced monetization capability; (ii) the growth of our precision marketing service as a result of the increase in our advertising inventory after adopting open platform traffic strategy, and our continuous accumulation of data and improvement in analytics capabilities, which in turn enhanced our advertisement placements accuracy; and (iii) the revenue contribution from the business of a marketing subsidiary, Tuozhanbao (the business operations of which have been subsequently transferred to Letuobao), acquired in June 2019.

*Fintech services*

Revenue from our fintech services increased by 136.9% from RMB15.2 million for the six months ended June 30, 2019 to RMB36.0 million for the six months ended June 30, 2020, primarily due to the growth of our entrusted loan, small-sized loan and loan facilitation businesses as well as our insurance referral services.

**Cost of Revenue**

The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated.

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(unaudited)** | | (unaudited) | |
| Commission | **691,181** | **92.6** | 667,029 | 90.1 |
| Processing fees | **9** | **0.1** | 33,352 | 4.5 |
| Amortization of non-current assets | **30,070** | **4.0** | 27,532 | 3.7 |
| Others | **24,875** | **3.3** | 12,647 | 1.7 |
| **Total** | **746,135** | **100.0** | 740,560 | 100.0 |

Our cost of revenue slightly increased by 0.8% from RMB740.6 million for the six months ended June 30, 2019 to RMB746.1 million for the comparative period in 2020, primarily due to (i) the increase in commission paid to marketing distribution channels and partners by RMB57.7 million resulting from the rapid expansion of our marketing services, and partially offset by (ii) a decrease in commission paid to payment distribution channels by RMB33.5 million due to the decrease in the total GPV we processed resulting from the Pandemic, and (iii) a significant decrease in processing fees paid to payment networks for using their settlement services, which have been provided largely free of charge since the second half of 2019.

The following table sets forth a breakdown of our cost of revenue by business type for the periods indicated:

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(unaudited)** | | (unaudited) | |
| One-stop payment services | **669,754** | **89.8** | 736,414 | 99.4 |
| Technology-enabled business services | **76,381** | **10.2** | 4,146 | 0.6 |
| **Total** | **746,135** | **100.0** | 740,560 | 100.0 |

**Gross Profit and Gross Profit Margin**

The following table sets forth our gross profit and gross profit margin by business type for the periods indicated:

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **Gross profit** | **Gross profit margin** | Gross profit | Gross profit margin |
| | ***RMB'000*** | **%** | *RMB'000* | % |
| | **(unaudited)** | | (unaudited) | |
| One-stop payment services | **215,356** | **24.3** | 258,145 | 26.0 |
| Technology-enabled business services | **115,599** | **60.2** | 25,859 | 86.2 |
| **Total** | **330,955** | **30.7** | 284,004 | 27.7 |

Our gross profit increased by 16.5% from RMB284.0 million for the six months ended June 30, 2019 to RMB331.0 million for the comparative period in 2020 as a result of the significant growth of our technology-enabled business services. Our gross profit margin increased from 27.7% for the six months ended June 30, 2019 to 30.7% for the comparative period in 2020, primarily due to the rapid expansion of our technology-enabled business services, which carried a higher level of gross profit margin than that of one-stop payment services.

Gross profit margin of our one-stop payment services decreased from 26.0% for the six months ended June 30, 2019 to 24.3% for the comparative period in 2020 because we offered more discount to distribution channels to encourage promotions of our businesses and services in the face of the Pandemic.

Our overall gross profit margin of technology-enabled business services decreased from 86.2% for the six months ended June 30, 2019 to 60.2% for the comparative period in 2020, primarily due to the increased proportion of our revenue from marketing services which carried a lower gross profit margin.

**Selling Expenses**

Our selling expenses decreased by 10.5% from RMB34.0 million for the six months ended June 30, 2019 to RMB30.5 million for the comparative period in 2020, primarily due to a RMB4.7 million, or 26.0%, decrease in advertising and promotion expenses as a result of the transformation of our marketing strategy to cooperate more with distribution channels and less with online media publishers.

## Administrative Expenses

Our administrative expenses increased by 66.9% from RMB56.3 million for the six months ended June 30, 2019 to RMB94.0 million for the comparative period in 2020, primarily due to (i) the increase in the recognition of listing expenses of RMB18.6 million and (ii) the increase in our employee benefits and our office and other administrative expenses by RMB9.9 million and RMB5.4 million, respectively, due to our increased headcount.

## Research and Development Expenses

Our research and development expenses increased by 133.7% from RMB23.8 million for the six months ended June 30, 2019 to RMB55.6 million for the comparative period in 2020, primarily due to (i) an increase in our employee benefits of RMB19.5 million as a result of our increased headcount and (ii) an increase in system development, consulting and data validation cost of RMB9.0 million in association with system upgrade of marketing and SaaS businesses and our research and development in relation to artificial intelligence and machine learning.

## Impairment Losses on Financial Assets

Our impairment losses on financial assets increased by 429.4% from RMB6.2 million for the six months ended June 30, 2019 to RMB32.8 million for the comparative period in 2020 as (i) we adopted a prudent approach and recognized impairment provision of RMB6.0 million for the amount due from an associate in view of the negative impact on its business operations caused by the Pandemic, and (ii) we prudently increased the impairment provision on loan receivables as the overdue rate increased during the six months ended June 30, 2020 due to the Pandemic.

## Other Income

Our other income increased by 147.7% from RMB3.0 million for the six months ended June 30, 2019 to RMB7.4 million for the comparative period in 2020, primarily due to an increase in interest income from bank deposits of RMB4.1 million primarily as a result of interests gained from our short-term deposits of the net proceeds received from the global offering and listing of our shares on the Hong Kong Stock Exchange on June 1, 2020 (the "**Listing**").

## Other Gains – Net

We recorded other gains – net of RMB1.9 million for the six months ended June 30, 2020, which was primarily attributable to (i) our currency translation gains of approximately RMB0.4 million, and (ii) gains of RMB0.7 million from gains on financial assets at fair value through profit or loss. We recorded other gains – net of RMB1.0 million for the six months ended June 30, 2019, primarily due to gains on financial assets at fair value through profit or loss from gains on investments in wealth management products.

**Operating Profit**

As a result of the foregoing, we recorded operating profit of RMB167.6 million for the six months ended June 30, 2019 and RMB127.4 million for the comparative period in 2020.

**Finance Costs**

Our finance costs increased by 94.9% from RMB2.4 million for the six months ended June 30, 2019 to RMB4.6 million for the comparative period in 2020 primarily due to the increase in the amount of our borrowings for six months ended June 30, 2020 compared with the same period in 2019.

**Share of Losses of Investments Accounted for Using the Equity Method**

Our share of losses of investments accounted for using the equity method decreased by 33.0% from RMB6.4 million for the six months ended June 30, 2019 to RMB4.3 million for the comparative period in 2020, primarily due to the improvement of operating results of some of our associates.

**Fair Value Changes of the Preferred Shares**

We recognized losses from fair value changes of the preferred shares of RMB141.9 million for the six months ended June 30, 2019 while we recorded gains arising from fair value changes of the preferred shares of RMB125.8 million for the comparative period in 2020, primarily due to the difference between the fair value of the preferred shares as of December 31, 2019 based on independent valuer's best estimate and that as of June 1, 2020, the date on which the preferred shares were converted into ordinary shares upon the Listing, based on the best estimate from market participants' perspective.

**Profit Before Income Tax**

As a result of the foregoing, our profit before income tax increased by 1340.7% from RMB17.0 million for the six months ended June 30, 2019 to RMB244.4 million for the comparative period in 2020.

**Income Tax Expenses**

Our income tax expenses decreased by 39.0% from RMB35.6 million for the six months ended June 30, 2019 to RMB21.7 million for the comparative period in 2020. Our effective tax rate was 8.9% for the six months ended June 30, 2020 primarily due to gains from fair value changes of the preferred shares which was not subjected to income taxes. Our effective tax rate was 210.0% for the six months ended June 30, 2019 primarily due to losses from fair value changes of the preferred shares and share based payment expenses which was not deductible for income taxes.

**Profit/(loss) for the Period**

As a result of the foregoing, we incurred loss of RMB18.6 million for the six months ended June 30, 2019 while we recognized profit of RMB222.6 million for the comparative period in 2020.

### Non-IFRS Measures

We adopt the adjusted net profit, which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. We believe that the 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 indicative of our operating performance. We believe that the non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and the investors and shareholders of the Company (the "**Shareholders**") should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit as profit/(loss) for the period adjusted by adding (i) fair value changes of the preferred shares, (ii) share-based compensation expenses and (iii) listing expenses. The following table illustrates reconciliations to our adjusted net profit from our profit/(loss) for the periods indicated:

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Profit/(loss) for the period** | **222,641** | (18,648) |
| Add: | | |
| Fair value changes of the preferred shares | **(125,822)** | 141,939 |
| Share-based compensation expenses | **7,000** | 2,300 |
| Listing expenses | **27,496** | 8,922 |
| **Adjusted net profit** | **131,315** | 134,513 |

### Capital Structure

Our total assets increased from RMB2,274.0 million as of December 31, 2019 to RMB3,678.2 million as of June 30, 2020. Our total liabilities decreased from RMB2,829.5 million as of December 31, 2019 to RMB1,151.1 million as of June 30, 2020. Liabilities-to-assets ratio decreased from 124.4% as of December 31, 2019 to 31.3% as of June 30, 2020.

The current ratio, being current assets divided by current liabilities as of the respective date, increased from 1.35 as of December 31, 2019 to 3.00 as of June 30, 2020.

### Liquidity, Capital Resources and Gearing

For the six months ended June 30, 2020, we financed our operations primarily through cash generated from business operations, bank borrowings and capital contributions from our shareholders. Our cash and cash equivalents increased by 345.0% from RMB441.3 million as of December 31, 2019 to RMB1,964.0 million as of June 30, 2020, primarily attributable to the net proceeds from the Listing on June 1, 2020.

Our gearing ratio, being borrowings divided by total equity and multiplied by 100%, was 3.2% as of June 30, 2020. We had net liabilities as of December 31, 2019, hence no gearing ratio is presented.

**Capital Expenditures**

Our capital expenditures primarily consist of payments for purchasing property, plant and equipment, intangible assets and payment terminals. Our total capital expenditures decreased by 84.0% from RMB75.0 million for the six months ended June 30, 2019 to RMB12.0 million for the six months ended June 30, 2020.

**Indebtedness**

Our indebtedness mainly includes interest-bearing bank borrowings. The following table sets forth a breakdown of our interest-bearing borrowings, lease liabilities and other payables due to creditors as of the dates indicated:

| | **As of June 30, 2020** *RMB'000* **(unaudited)** | As of December 31, 2019 *RMB'000* (audited) |
|---|---|---|
| **Non-current** | | |
| Lease liabilities | **9,665** | 17,568 |
| **Current** | | |
| Bank borrowings (unsecured with guarantee) | **70,000** | 116,500 |
| Borrowings from other non-bank financial institution (unsecured with guarantee) | **10,000** | 20,000 |
| Lease liabilities | **9,678** | 10,212 |
| Other payables – payable to creditors | **25,201** | 38,738 |
| **Total** | **124,544** | 203,018 |

**Contingent Liabilities**

As of June 30, 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

**Pledge of Assets**

As of June 30, 2020, we did not pledge any of our assets.

**Significant Events After the Reporting Period**

In August 2020, the Board passed a resolution, according to which the sum of approximately RMB861.2 million standing to the credit of the share premium of the Company will be applied to set off the accumulated losses and other reserves of the Company. Accordingly, the accumulated losses of approximately RMB773.9 million will be set off and the related currency translation difference of approximately RMB87.2 million will be released.

Except as disclosed above, there are no material events subsequent to June 30, 2020 which could have a material impact on our operating and financial performance as of the date of this announcement.

**Foreign Exchange Risk and Hedging**

As we operate mainly in the PRC with most of the transactions settled in RMB, we consider that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than the respective functional currencies of our Group's entities. We do not use any derivative contracts to hedge against our exposure to foreign exchange risk. We manage currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

**Material Acquisitions and Future Plans for Major Investment**

During the six months ended June 30, 2020, we did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated May 20, 2020, we have no specific plan for major investment or acquisition for major capital assets or other businesses. However, we will continue to identify new opportunities for business development.

**Interim Dividend**

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: Nil).

**Company Information**

The Company was incorporated in the Cayman Islands on September 8, 2011 as an exempted company with limited liability, and the shares were listed on the Main Board of the Hong Kong Stock Exchange on June 1, 2020.

**Employees**

As of June 30, 2020, we had a total of 546 employees, substantially all of whom were based in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Unaudited For the six months ended 30 June 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **1,077,090** | 1,024,564 |
| Cost of revenue | 6 | **(746,135)** | (740,560) |
| **Gross profit** | | **330,955** | 284,004 |
| Selling expenses | 6 | **(30,454)** | (34,012) |
| Administrative expenses | 6 | **(94,001)** | (56,336) |
| Research and development expenses | 6 | **(55,554)** | (23,770) |
| Impairment losses on financial assets | 12 | **(32,845)** | (6,204) |
| Other income | | **7,385** | 2,981 |
| Other gains – net | | **1,894** | 956 |
| **Operating profit** | | **127,380** | 167,619 |
| Finance costs | | **(4,587)** | (2,353) |
| Share of losses of investments accounted for using the equity method | 8 | **(4,265)** | (6,367) |
| Fair value changes of convertible redeemable preferred shares | 16 | **125,822** | (141,939) |
| **Profit before income tax** | | **244,350** | 16,960 |
| Income tax expenses | 7 | **(21,709)** | (35,608) |
| **Profit/(loss) for the period attributable to equity holders of the Company** | | **222,641** | (18,648) |
| **Profit/(loss) for the period attributable to equity holders of the Company** | | **222,641** | (18,648) |
| **Other comprehensive loss:** | | | |
| Items that will not subsequently reclassified to profit or loss | | | |
| Currency translation differences | | **(28,784)** | – |
| Items that may be subsequently reclassified to profit or loss | | | |
| Currency translation differences | | **(12,407)** | (3,351) |
| | | **(41,191)** | (3,351) |
| **Total comprehensive income/(losses) for the period attributable to equity holders of the Company** | | **181,450** | (21,999) |
| **Earnings/(losses) per share attributable to equity holders of the Company** (expressed in RMB per share) | | | |
| – Basic | | **1.07** | (0.39) |
| – Diluted | | **0.33** | (0.39) |

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **30,153** | 39,854 |
| Intangible assets | *9* | **166,362** | 170,676 |
| Investments accounted for using the equity method | *8* | **38,515** | 31,067 |
| Prepayments and other receivables | *12* | **37,393** | 32,279 |
| Financial assets at fair value through profit or loss | *10* | **41,726** | 41,046 |
| Other non-current assets | | **61,732** | 90,450 |
| Deferred tax assets | *9* | **1,342** | 8,504 |
| | | **377,223** | 413,876 |
| **Current assets** | | | |
| Other current assets | | **7,710** | 46,698 |
| Inventories | | **6,524** | 7,282 |
| Trade receivables | *11* | **101,090** | 43,528 |
| Prepayments and other receivables | *12* | **1,166,507** | 1,159,213 |
| Restricted cash | | **55,157** | 162,124 |
| Cash and cash equivalents | | **1,963,985** | 441,315 |
| | | **3,300,973** | 1,860,160 |
| **Total assets** | | **3,678,196** | 2,274,036 |
| **EQUITY** | | | |
| Share capital | *13* | **65** | 31 |
| Reserves | | **3,120,276** | 260,345 |
| Accumulated losses | | **(593,231)** | (815,872) |
| **Equity attributable to owners of the Company** | | **2,527,110** | (555,496) |
| **Total equity** | | **2,527,110** | (555,496) |

| | Note | Unaudited<br>As at<br>30 June<br>2020<br>*RMB'000* | Audited<br>As at<br>31 December<br>2019<br>*RMB'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Other payables | *14* | **35,534** | 56,880 |
| Lease liabilities | | **9,665** | 17,568 |
| Financial liabilities at fair value through profit or loss | *16* | **–** | 1,373,447 |
| Deferred tax liabilities | | **4,760** | 6,002 |
| | | **49,959** | 1,453,897 |
| **Current liabilities** | | | |
| Trade and other payables | *14* | **973,899** | 1,164,851 |
| Contract liabilities | | **10,934** | 25,910 |
| Current tax liabilities | | **26,616** | 38,162 |
| Lease liabilities | | **9,678** | 10,212 |
| Borrowings | *15* | **80,000** | 136,500 |
| | | **1,101,127** | 1,375,635 |
| **Total liabilities** | | **1,151,086** | 2,829,532 |
| **Total equity and liabilities** | | **3,678,196** | 2,274,036 |

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

### 1.1 General information

YEAHKA LIMITED (the "**Company**") was incorporated in the Cayman Islands on 8 September 2011, as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, ky1-1205, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 June 2020.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "**Group**"), are principally engaged in the provision of payment services and technology-enabled business services to retail merchants and consumers in the People's Republic of China (the "**PRC**").

This condensed consolidated interim financial report for the six months ended 30 June 2020 ("**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated. This interim financial information was approved for issue on 27 August 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The Interim Financial Information has been prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Financial Information does not include all the notes of the type normally included in an annual financial statement. Accordingly, it should be read in conjunction with the Accountant's Report included in Appendix I to the Company's listing prospectus dated 25 May 2020 (the "**Prospectus**") which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The accounting policies applied used in the preparation of this Interim Financial Information are consistent with those used in the Accountant's Report included in Appendix I to the Prospectus.

### 2.2 New standards, amendments and interpretations to existing standards adopted by the Group

The Group has adopted the following standards, amendments and interpretations to existing standards which have become effective on January 1, 2020:

- Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform
- Amendment to IAS 1 – Classification of liabilities as current or non-current
- Amendments to IAS 1 and IAS 8 – Definition of Material and presentation of current/non-current liabilities
- Amendments to IFRS 3 – Definition of a Business
- Conceptual Framework for Financial Reporting 2018

These standards, amendments and interpretations to existing standards did not result in significant impact on the Group's financial position and results of operation.

### 2.3 New standards and amendments to existing standards not yet adopted

Standards and amendments to existing standards that have been issued but not yet effective on January 1, 2020 and not been early adopted by the Group as of 30 June 2020 are as follows:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendment to IAS 1 | Classification of liabilities as current or non-current | 1 January 2022 |
| Amendments to IFRS 10 and International Accounting Standards ("**IAS**") 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| IFRS 17 | Insurance Contracts | 1 January 2023 |

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to the existing IFRSs.

## 3 ESTIMATES

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements in the Accountant's Report included in Appendix I to the Prospectus.

No significant changes to estimation techniques or assumptions were made in the six months ended 30 June 2020.

## 4 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("**CODM**"). The Group's CODM has been identified as the CEO of the Company, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. As a result of this evaluation, the CEO consider that the Group's operations are operated and managed as a single segment; accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.

## 5 REVENUE

| | **Unaudited For the six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| One-stop payment services | **885,110** | 994,559 |
| Technology-enabled business services | **191,980** | 30,005 |
| | **1,077,090** | 1,024,564 |

For the six months ended 30 June 2020, interest income from entrusted loans and small-sized retail loans amounting to RMB26,079,000 (six months ended 30 June 2019: RMB9,159,000) was included in revenue derived from technology-enabled business services. Except for interest income, revenues of the Group are recognised at a point in time according to the provision prescribed under IFRS 15.

## 6 EXPENSES BY NATURE

Expenses included in cost of revenue, selling expenses and administrative expenses are as below:

| | **Unaudited For the six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Commissions | **691,181** | 667,029 |
| Employee benefit expenses | | |
| – Research and development | **38,678** | 19,174 |
| – Others | **48,899** | 39,208 |
| Amortization of non-current assets | **30,070** | 27,532 |
| Office expenses | **14,401** | 6,252 |
| Advertising and promotion expenses | **13,399** | 18,107 |
| System development consulting and data validation | **11,655** | 2,669 |
| Depreciation of property, plant and equipment | **7,713** | 5,957 |
| Professional service fees | **5,427** | 2,606 |
| Amortization of intangible assets | **5,242** | 1,123 |
| Rental expense relating to short-term leases | **5,071** | 2,546 |
| Merchants validation fee | **3,204** | 1,445 |
| Auditor's remuneration | **1,500** | 407 |
| Processing fees to payment networks | **9** | 33,352 |
| Listing expenses | **27,496** | 8,922 |

## 7 INCOME TAX EXPENSES

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – Current period provision | **18,623** | 18,377 |
| – Over-provision in prior year | **(2,834)** | – |
| Deferred income tax | **5,920** | 17,231 |
| | **21,709** | 35,608 |

## 8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Unaudited For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| At the beginning of the period | **31,067** | 37,426 |
| Additions | **11,713** | 5,149 |
| Share of losses | **(4,265)** | (6,367) |
| At the end of the period | **38,515** | 36,208 |

The associates and joint venture of the Group are private companies and there are no quoted market prices available for their shares. There were no contingent liabilities relating to the Group's interest in the associates and joint venture as at 30 June 2020.

With the assistance of valuation performed by a third-party independent valuer by using the market approach, the directors of the Company assessed that the recoverable amount of investment in Chao Meng as at 30 June 2020 was higher than the carrying amount of RMB12,880,000, and accordingly considered that there were no impairment provision needed.

As at 30 June 2020, the director of the Company assessed that the recoverable amounts of other investments, other than Chao Meng, were not less their carrying values.

## 9 INTANGIBLE ASSETS

| | Goodwill<br>*RMB'000* | Customer relationship<br>*RMB'000* | Software<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| Cost | 151,364 | 29,800 | 1,698 | 182,862 |
| Accumulated amortization and impairment | (5,524) | (5,794) | (868) | (12,186) |
| **Net book amount** | 145,840 | 24,006 | 830 | 170,676 |
| **Unaudited** | | | | |
| **For the six months ended 30 June 2020** | | | | |
| Opening net book amount | 145,840 | 24,006 | 830 | 170,676 |
| Additions | – | – | 928 | 928 |
| Amortization charge | – | (4,967) | (275) | (5,242) |
| **Closing net book amount** | 145,840 | 19,039 | 1,483 | 166,362 |
| **As at 30 June 2020** | | | | |
| Cost | 151,364 | 29,800 | 2,626 | 183,790 |
| Accumulated amortization and impairment | (5,524) | (10,761) | (1,143) | (17,428) |
| **Net book amount** | 145,840 | 19,039 | 1,483 | 166,362 |
| **As at 31 December 2018** | | | | |
| Cost | 5,524 | – | 1,285 | 6,809 |
| Accumulated amortization and impairment | (5,524) | – | (357) | (5,881) |
| **Net book amount** | – | – | 928 | 928 |
| **Unaudited** | | | | |
| **For the six months ended 30 June 2019** | | | | |
| Opening net book amount | – | – | 928 | 928 |
| Additions | – | – | 374 | 374 |
| Business combination | 144,865 | 31,100 | – | 175,965 |
| Amortization charge | – | (889) | (234) | (1,123) |
| **Closing net book amount** | 144,865 | 30,211 | 1,068 | 176,144 |
| **As at 30 June 2019** | | | | |
| Cost | 150,389 | 31,100 | 1,659 | 183,148 |
| Accumulated amortization and impairment | (5,524) | (889) | (591) | (7,004) |
| **Net book amount** | 144,865 | 30,211 | 1,068 | 176,144 |

**(a) Impairment tests for goodwill related to Tuozhanbao**

Goodwill acquired in a business combination is allocated to the CGU that are expected to benefit from that business combination.

The carrying amounts of goodwill allocated to the CGU of Tuozhanbao are RMB145,840,000 as at 30 June 2020.

The recoverable amount of a CGU was determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU.

The recoverable amount of Tuozhanbao CGU was determined to be higher than its carrying amount and no impairment loss was recognised as at 30 June 2020.

Key assumptions used for determination of recoverable amount are set out below:

| | |
|---|---|
| Gross profit margin | 65.7%-66.9% |
| Terminal value growth rate | 3.0% |
| Pre-tax discount rate | 67.1% |

The revenue growth rate applied are 0.4%, 30.0%, 5.0%, 5.0% and 5.0% for each of the 5 years from 2020 to 2024, respectively.

*(i) Revenue growth rate and gross profit margin*

Revenue growth rate and gross profit margin are determined by management of the Company based on past performance and the future business plan of Tuozhanbao and synergy expected to be achieved from the business combination.

*(ii) Terminal value growth rate*

A terminal growth rate of 3%, which is based on the expected inflation rate, has been applied to the terminal year's cash flow.

*(iii) Discount rate*

67.1% pre-tax discount rate was applied, which reflected the nature and stage of development of the underlying business acquired and the returns required by the Company in the acquisition.

Based on the result of the goodwill impairment test performed by the directors of the Company, the estimated recoverable amount exceeded its carrying value as at 30 June 2020. Accordingly, no impairment provision was required to be made as at 30 June 2020.

The directors of the Company had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

## 10. FINANCIAL ASSETS AT FVPL

| | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| Contingent consideration | **41,726** | 41,046 |

The balance arose from contingent consideration in relation to the acquisition of Tuozhanbao, which was completed in June 2019.

The directors of the Company determined the fair value of the contingent consideration as at 30 June 2020 by applying probability weighted scenario analysis which is consistent with the methodology used in the valuation performed for the fair value as at 31 December 2019.

During the six months ended 30 June 2020, change in fair value of the contingent consideration amounting to approximately RMB680,000 was recognized under "Other gains – net" in the condensed consolidated statement of comprehensive income.

## 11. TRADE RECEIVABLES

| | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| Due from third party customers *(b)* | **100,092** | 43,528 |
| Due from a related party customer | **998** | – |
| | **101,090** | 43,528 |

(a) The carrying amounts of the trade receivables balances were approximate to their fair value as at 30 June 2020. All the trade receivables balances were denominated in RMB.

(b) The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

(c) The Group allows a credit period within 30-180 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

| | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| Up to 3 months | **77,667** | 43,430 |
| 3 to 6 months | **23,325** | – |
| Over 6 months | **98** | 98 |
| | **101,090** | 43,528 |

## 12. PREPAYMENTS AND OTHER RECEIVABLES

### (a) Prepayments and other receivables in non-current assets

| | **Unaudited As at 30 June 2020** ***RMB'000*** | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| Prepayments for: | | |
| – Investment in Hanzhou Shouzhan Technology Co., Ltd ("**Shouzhan**") (i) | **20,000** | 20,000 |
| – Investment in Fushi Technology (Shenzhen) Co., Ltd ("**Fushi**") *(ii)* | **15,000** | 10,000 |
| Lease deposits | **2,393** | 2,279 |
| | **37,393** | 32,279 |

(i) The Group entered into an investment agreement with third parties in January 2019, pursuant to which the Group has agreed to invest approximately 1.6% equity interest (subject to revision) in Shouzhan at a consideration of RMB20,000,000. The Group prepaid the consideration in full in January 2019. The completion of the acquisition is subject to certain prerequisites including the completion of establishment of Shouzhan' s oversea group structure, which had not been satisfied as at 30 June 2020.

(ii) In December 2019, the Group and RYK Capital Partners Limited, an associate of the Group, agreed to make capital contributions into Fushi together in 2020. In 2019 and during the six months ended 30 June 2020, the Group deposited, respectively, prepayments of RMB10,000,000 and RMB5,000,000 with Fushi arising from such arrangement.

**(b) Prepayments and other receivables in current assets**

| | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| **Prepayments** | | |
| Prepaid listing expenses | **–** | 8,010 |
| Prepayments for payment terminals | **16,519** | 18,490 |
| Others | **14,631** | 7,227 |
| Sub-total | **31,150** | 33,727 |
| **Other receivables** | | |
| Amounts due from related parties | **38,230** | 30,810 |
| Receivables from payment networks *(i)* | **733,852** | 800,658 |
| Deposits | **5,825** | 5,907 |
| Payment network deposits | **2,000** | 1,500 |
| Loan receivables *(ii)* | **266,166** | 242,615 |
| Deposits placed with financial institutions | **119,603** | 40,366 |
| Others | **8,929** | 23,378 |
| Less: allowance for impairment of loan receivables *(iii)* | **(23,744)** | (10,244) |
| Less: allowance for amount due from Chao Meng *(iv)* | **(15,504)** | (9,504) |
| Sub-total | **1,135,357** | 1,125,486 |
| | **1,166,507** | 1,159,213 |

(i) The amount represents funds processed by the Group during the course of providing its one-stop payment services to merchants, which had been received by the payment networks, and would be then transferred to the respective merchants through the Group in accordance with the terms of agreements entered into between the Group and the merchants.

(ii) The loan receivables mainly comprise entrusted loans and small-sized retail loans granted by the Group to various debtors through various financial institutions. The debtors are primarily merchants and consumers of the Group for its one-stop payment services. The loans bore interest rate from 8% to 36% per annum and with lending periods of less than one year.

(iii) As at 30 June 2020 and 31 December 2019, the Group provided for credit losses against loan receivables as follows:

| Loan receivables | Basis for recognition of expected credit loss provision | Expected credit loss rate | Gross amount | Carrying amount (net of impairment provision) | Expected credit loss rate | Gross amount | Carrying amount (net of impairment provision) |
|---|---|---|---|---|---|---|---|
| | | | **Unaudited** | | | Audited | |
| | | | **As at 30 June 2020** | | | As at 31 December 2019 | |
| | | | ***RMB'000*** | ***RMB'000*** | | *RMB'000* | *RMB'000* |
| – Performing | 12 months expected losses | **3%** | **245,063** | **237,196** | 2% | 228,069 | 223,964 |
| – Underperforming | Lifetime expected losses | **75%** | **21,103** | **5,226** | 42% | 14,546 | 8,407 |
| | | | **266,166** | **242,422** | | 242,615 | 232,371 |

The directors of the Company assessed and determined the 12 month expected loss rate of performing loans based on the Group's actual historical loss rate, adjusted by forward-looking information on macro-economic factors affecting customers' repayment ability.

Movement on the provision for impairment of loan receivables are set out as follows:

| | **Unaudited As at 30 June 2020** | Audited As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At the beginning of the period/year | **10,244** | 1,871 |
| Provision for impairment | **26,845** | 17,907 |
| Write off of bad debts | **(13,345)** | (9,534) |
| At the end of the period/year | **23,744** | 10,244 |

(iv) For the six months ended 30 June 2020, the directors of the Company had made an impairment provision of RMB6,000,000 against the carrying amount of balance due from Chao Meng, which resulted in an aggregate amount of impairment provision of RMB15,504,000 against the carrying amount of balance due from Chao Meng as at 30 June 2020, based on the assessment of the expected cashflows to be generated by Chao Meng in its future operations and the amounts that they would repay to the Group. The directors consider that the provision set up reflected the current best estimate on the recoverable amount of such balance up to the date of approval of the financial statements.

## 13. SHARE CAPITAL

| | Number of shares | Nominal value | |
|---|---|---|---|
| | | *In USD* | *In RMB Equivalent* |
| **Balance at 31 December 2019** | 58,173,575 | 5,817 | 37,340 |
| Effect of share subdivision *(a)* | 174,520,725 | – | – |
| Issuance of new shares upon listing *(b)* | 110,126,400 | 2,753 | 19,619 |
| Issuance of new shares for conversion of preferred shares to ordinary shares *(c)* | 83,384,372 | 2,085 | 14,866 |
| Less: shares held by restricted share units nominees | (38,452,952) | (961) | (6,724) |
| **Balance at 30 June 2020** | 387,752,120 | 9,694 | 65,101 |

(a) On April 30, 2020, 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 4 shares of US$0.000025 each.

(b) Upon completion of the initial public offering ("**IPO**"), the Company issued 110,126,400 new shares at par value of US$0.000025 per share for a total of cash consideration of HK$16.64 each and raised gross proceeds of approximately HK$1,832,503,000 (equivalent to RMB1,684,646,000). After netting off these gross proceeds with share issuance costs amounting to approximately RMB66,899,000, the respective share capital amount was approximately RMB20,000 and share premium arising from the issuance was approximately RMB1,617,727,000. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These share issuance costs were treated as a deduction against the share premium arising from the issuance.

(c) Upon completion of the IPO, each issued preferred share were converted into 4 ordinary shares by re-designation and reclassification of every preferred share in issue as an ordinary share on a one for one basis. As a result, the financial liabilities for preferred shares were derecognised and recorded as share capital and share premium which amounted to approximately RMB14,000 and approximately RMB1,276,395,000, respectively.

## 14. TRADE AND OTHER PAYABLES

| | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| Trade payables *(a)* | **49,480** | 74,112 |
| Amounts due to related parties | **1,930** | 480 |
| Deposits from distribution channels *(b)* | **53,656** | 38,337 |
| Payables to merchants *(c)* | **783,398** | 957,760 |
| Employee benefit payables | **24,273** | 31,147 |
| Other taxes payables | **6,942** | 7,998 |
| Entry fees received from distribution channels *(d)* | **35,534** | 56,880 |
| Listing expenses payables | **20,745** | 5,111 |
| Payables to creditors *(e)* | **25,201** | 38,738 |
| Others | **8,274** | 11,168 |
| | **1,009,433** | 1,221,731 |

(a) Trade payables mainly represent amounts due to suppliers for purchase of payment terminals and other equipment, commission payable to distribution channels for one-stop payment services and processing fees payable to payment networks and financial institutions.

As at 30 June 2020 and 31 December 2019, the aging analysis of trade payables based on the invoice date was as follows:

| | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| Up to 3 months | **44,876** | 58,248 |
| 3 to 6 months | **–** | 15,859 |
| Over 6 months | **4,604** | 5 |
| | **49,480** | 74,112 |

(b) The amount represents refundable deposits placed by distribution channels with the Group when they signed up the distribution channel agreements with the Group. It would be refunded to the respective distribution channel upon expiration of the agreements.

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

(d) The amount represents one-off and upfront entry fees received from distribution channels, which is credited to profit or loss to off-set cost of revenue – commission to distribution channels using the straight-line method over the expected beneficial period of 3 years.

(e) The balance represents fund raised from third party creditors in relation to the small-sized retail loans granted to customers. The balance bore interest at a rate of 8.0% to 8.5% per annum.

As at 30 June 2020 and 31 December 2019, trade and other payables were all denominated in RMB and the fair values of these balances were approximated to their carrying amounts.

## 15. BORROWINGS

| | **Unaudited As at 30 June 2020** *RMB'000* | Audited As at 31 December 2019 *RMB'000* |
|---|---|---|
| Current | | |
| Bank borrowings | | |
| – unsecured with guarantee *(a)* | **70,000** | 116,500 |
| Borrowings from other non-banking financial institution | | |
| – unsecured with guarantee *(b)* | **10,000** | 20,000 |
| | **80,000** | 136,500 |

(a) For the six months ended 30 June 2020, bank borrowings with guarantee bore effective interest rate of 5.5% (2019: 5.5%) per annum, respectively.

As at 30 June 2020, bank borrowing of RMB30,000,000 of Leshua Technology Co., Ltd ("**Leshua**") was guaranteed by Shenzhen Yeahka Technology Co., Ltd. ("**Shenzhen Yeahka**").

As at 30 June 2020, bank borrowings of RMB40,000,000 of Shenzhen Yeahka were guaranteed by Leshua and the Company.

As at 31 December 2019, bank borrowing of RMB30,000,000 of Leshua was guaranteed by Shenzhen High-tech Investment and Guaranty Co., Ltd., Shenzhen Yeahka, Mr. Liu and his wife, Ms. Luo Haiying ("**Mrs. Liu**").

As at 31 December 2019, bank borrowings of RMB86,500,000 of Shenzhen Yeahka were guaranteed by Shenzhen Small & Medium Enterprises Credit Financing Guarantee Group Co., Ltd., Le Shua, Mr. Liu and Mrs. Liu.

(b) As at 30 June 2020, other borrowing of RMB10,000,000 bore effective interest rate of 6.5% per annum and was guaranteed by Shenzhen Hi-tech Investment and Financing Guarantee Co., Ltd., Shenzhen Yeahka and the Company.

As at 31 December 2019, other borrowings of RMB10,000,000 and RMB10,000,000 bore effective interest rates of 12% and 6.5% per annum, respectively, and were both guaranteed by Shenzhen Hi-tech Investment and Financing Guarantee Co., Ltd., Shenzhen Yeahka Technology Co., Ltd., Mr. Liu and his wife Ms. Luo Haiying.

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

The movement of the convertible redeemable preferred shares is set out below:

| | **Unaudited For the six months ended 30 June 2020** *RMB'000* |
|---|---|
| Opening balance | 1,373,447 |
| Changes in fair value | (125,822) |
| Currency translation differences | 28,784 |
| Conversion to ordinary shares | (1,276,409) |
| Closing balance | – |

Upon the listing of the Company on 1 June 2020, all convertible redeemable preferred shares were converted into 83,384,372 ordinary shares of the Company at the final offer price of HKD16.64 per share, among which, approximately RMB14,000 were recognised as share capital and approximately RMB1,276,395,000 were recognised as share premium.

## OTHER INFORMATION

### Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company since the Listing Date and up to June 30, 2020.

### Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Board is of the view that since the Listing Date and up to the date of this announcement, the Company has complied with most of the code provisions as set out in the CG Code, except for the deviation from code provisions A.2.1 as explained below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. The roles of chairman of the Board and Chief Executive Officer of the Company are held by Mr. LIU Yingqi. In view of Mr. Liu's experience, personal profile and his roles in our Company, and the fact that Mr. Liu has assumed the role of Chief Executive Officer of our Company since 2011, the Board considers it beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group that Mr. Liu acts as the chairman of the Board and continues to act as the Chief Executive Officer of our Company.

While this will constitute a deviation from code provision A.2.1 of the CG Code, the Board believes this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Mr. Liu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Company.

### Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code since the Listing Date and up to June 30, 2020.

The Board has also adopted written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Employees Written Guidelines by the Company's relevant employees had been noted since the Listing Date and up to June 30, 2020.

## USE OF PROCEEDS FROM LISTING

The Company was listed on the Stock Exchange on June 1, 2020. The net proceeds (after deducting underwriting fees and commissions and other expenses paid and payable by the Company in connection with the initial public offering) raised during our initial public offering amounted to approximately HKD1,698.8 million. The following table sets forth the status of the use of net proceeds from the initial public offering[(1)]:

| **Intended use of proceeds** | **Percentage of intended use of proceeds** *(%)* | **Intended use of proceeds from the initial public offering** *(In HKD millions)* | **Actual usage up to 30 June 2020** *(In HKD millions)* | **Unutilized net proceeds as at 30 June, 2020** *(In HKD millions)* |
|---|---|---|---|---|
| Implementing sales and marketing initiatives in China and overseas markets | 20.0 | 339.7 | 7.3 | 332.4 |
| Expanding our technology-enabled business services offerings | 35.0 | 594.6 | 10.9 | 583.7 |
| Enhancing our research and technology capabilities | 35.0 | 594.6 | 11.7 | 582.9 |
| Working capital and general corporate purposes | 10.0 | 169.9 | 2.4 | 167.5 |
| **Total** | 100.0 | 1,698.8 | 32.3 | 1,666.5 |

*Note:*

1. The figures in the table are approximate figures.

The remaining balance of the net proceeds were HKD1,666.5 million placed with banks/short-term deposits. The Group will apply the remaining net proceeds in the manner set out in the Prospectus within the next 3 years.

## Audit Committee and Review of Financial Information

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Yao Wei (Chairman), Mr. Tam Bing Chung Benson and Mr. Yang Tao (with Mr. Yao Wei and Mr. Yang Tao possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the six months ended 30 June 2020. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

## Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (https://www.yeahka.com/). The interim report of the Company for the six months ended June 30, 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
**YEAHKA LIMITED**
**移卡有限公司**
**LIU Yingqi**
*Executive Director*

Hong Kong, August 27, 2020

*As at the date of this announcement, the executive Directors are Mr. Liu Yingqi, Ms. Zhou Lingli and Mr. Yao Zhijian, the non-executive Directors are Mr. Mathias Nicolaus Schilling and Mr. Hirofumi Ono, and the independent non-executive Directors are Mr. Tam Bing Chung Benson, Mr. Yao Wei and Mr. Yang Tao.*