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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, 2022

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, 2022 (the “**Reporting Period**”). 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, 2022	For the six months ended June 30, 2021	Year on year change (%)
One-stop payment services			
Total gross payment volume (“GPV”) (RMB billion)	1,063.2	990.4	7.4
Number of active payment service merchants ⁽¹⁾ (million)	7.6	6.1	24.1
In-store e-commerce services			
Total gross merchandise value (“GMV”) (RMB million)	1,355.2	71.7	1,789.7
Number of paying consumers (million)	9.7	1.4	578.9
Monthly active users (“MAU”) (million)	19.0	N/A ⁽²⁾	N/A ⁽²⁾
Merchant solutions⁽³⁾			
Number of active merchant solutions merchants (million)	1.5	1.2	25.8

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.
- (2) We have started collecting the data of MAU since 2022.
- (3) We have reclassified our technology-enabled business services to merchant solutions, which includes SaaS digital solutions, precision marketing services and fintech services.

KEY FINANCIAL DATA

	For the six months ended June 30, 2022 RMB'000 (unaudited)	For the six months ended June 30, 2021 RMB'000 (unaudited)	Year on year change (%)
Revenue	1,641,845	1,402,464	17.1
— One-stop payment services	1,271,485	1,044,240	21.8
— App-based payment services	1,010,119	724,811	39.4
— Traditional payment services	261,366	319,429	(18.2)
— In-store e-commerce services	161,552	44,945	259.4
— Merchant solutions ⁽¹⁾	208,808	313,279	(33.3)
Gross profit	529,332	348,119	52.1
— One-stop payment services	265,635	196,706	35.0
— In-store e-commerce services	92,270	1,029	8,867.0
— Merchant solutions ⁽¹⁾	171,427	150,384	14.0
Gross margin	32.2%	24.8%	7.4 ⁽²⁾
— One-stop payment services	20.9%	18.8%	2.1 ⁽²⁾
— In-store e-commerce services	57.1%	2.3%	54.8 ⁽²⁾
— Merchant solutions ⁽¹⁾	82.1%	48.0%	34.1 ⁽²⁾
Non-IFRS measures ⁽³⁾ :			
— Adjusted EBITDA	69,707	73,498	(5.2)
— Adjusted EBITDA margin	4.2%	5.2%	(1.0) ⁽²⁾
Net loss of In-store e-commerce services	(159,379)	(44,030)	262.0

Note:

- (1) We have reclassified our technology-enabled business services to merchant solutions, which includes SaaS digital solutions, precision marketing services and fintech services.
- (2) Percentage points.
- (3) For details of our Non-IFRS measures, see “Management Discussion and Analysis – Non-IFRS Measures.”

Revenue from our one-stop payment services increased by 21.8% from RMB1,044.2 million for the six months ended June 30, 2021 to RMB1,271.5 million for the comparative period in 2022, primarily due to the increase in (i) our overall fee rate from 10.5 basis points for the six months ended June 30, 2021 to 12.0 basis points for the comparative period in 2022, the increase in our fee rate demonstrated our pricing power in third-party payment market; and (ii) the GPV we processed by 7.4% from RMB990.4 billion for the six months ended June 30, 2021 to RMB1,063.2 billion for the comparative period in 2022. In particular, the GPV of app-based payment services increased by 22.6% year-on-year, accounting for 70.6% of the total GPV for the six months ended June 30, 2022, up from 61.8% for the comparative period in 2021. The GPV growth was primarily attributable to the strong resilience of our merchant base, as evidenced by the increase in the number of active payment service merchants from 6.1 million for the six months ended June 30, 2021 to 7.6 million for the comparative period in 2022, despite the regional resurgence of the coronavirus disease-19 (COVID-19) (the “**Pandemic**”).

Revenue from our in-store e-commerce services increased by 259.4% from RMB44.9 million for the six months ended June 30, 2021 to RMB161.6 million for the comparative period in 2022, primarily due to the increase of (i) our paying consumers from 1.4 million for the six months ended June 30, 2021 to 9.7 million for the comparative period in 2022, representing a year-on-year growth of 578.9%, and (ii) the total GMV generated from RMB71.7 million for the six months ended June 30, 2021 to RMB1,355.2 million for the comparative period in 2022, representing a year-on year growth of 1,789.7%.

The number of active merchant solutions customers increased by 25.8% from 1.2 million for the six months ended June 30, 2021 to nearly 1.5 million for the comparative period in 2022. Meanwhile, to support our merchant community during the resurgence of the Pandemic and ensure long-term user stickiness, we offered renewing merchants certain fee discount policies during the six months ended June 30, 2022 to help them overcome the adverse impact from the Pandemic. As a result, revenue from our merchant solutions decreased by 33.3% from RMB313.3 million for the six months ended June 30, 2021 to RMB208.8 million for the comparative period in 2022.

BUSINESS REVIEW AND OUTLOOK

Business Highlights

- **Number of users and scale of one-stop payment services continue to grow:**
 - Total GPV of one-stop payment services increased by **7.4%** year-on-year and exceeded **RMB1,063.2 billion**;
 - Number of active payment services merchants increased by **24.1%** year-on-year to **7.6 million**;
 - Number of cities covered exceeded **300** nationwide;
 - Number of partnership bank increased to nearly **100**; number of independent sales agents in our nationwide channel network reached nearly **16,000**; and number of the application programming interface (API) partners in our cloud payment platform reached over **3,000**.
- **In-store e-commerce services grow rapidly and achieve significant results:**
 - GMV of in-store e-commerce services reached nearly **RMB1.4 billion**, increasing by **1,789.7%** year-on-year and **315.7%** from the second half of 2021;
 - MAU of in-store e-commerce services reached **19.0 million**; number of paying consumers reached nearly **9.7 million**, increasing by **578.9%** year-on-year and **136.0%** from the second half of 2021;
 - Stock keep units (SKU) reached over **205.3 thousand**, up **1,570.2%** year-on-year and **39.6%** from the second half of 2021;
 - Number of operating sites reached over **300**.
- **Steady growth for merchant solutions:**
 - Number of active merchant solutions merchants increased by **25.8%** year-on-year to reach nearly **1.5 million**.

About Yeahka

Yeahka is a leading payment-based technology platform dedicated to creating value for merchants and consumers. Our goal is to build an independent and scalable commercial digitalized ecosystem to enable seamless, convenient, and reliable payment services to merchants and consumers, and to further expand into serving merchants and consumers with our diversified product portfolio, which now includes (i) in-store e-commerce services, providing consumers with local lifestyle services of great value, and (ii) merchant solutions, enabling merchants to better manage and drive business growth.

Strategic Progress and Outlook

The resurgence of the Pandemic has made the first half of 2022 challenging, slowed down growth in retail sales of consumer goods, and significantly disrupted offline commerce. Benefiting from the broad geographic coverage across more than 300 cities and low geographic concentration, we continued to make strategic expansion in scaling up and monetizing our commercial digitalized ecosystem, which comprises (i) one-stop payment services, (ii) in-store e-commerce services, and (iii) merchant solutions. We are proactively adapting to the new norm in China's internet industry by managing costs, increasing profitability, and sharpening our focus on key strategic areas including user value, technology innovation, and social responsibility.

The following table sets forth the comparative figures for the six months ended June 30, 2022 and December 31, 2021, respectively, representing the sustainability and monetization ability of our business amid the resurgence of the Pandemic:

	For the six months ended June 30, 2022 RMB'000 (unaudited)	For the six months ended December 31, 2021 RMB'000 (unaudited)	Period-to- period change (%)
Gross profit	529,332	466,501	13.5
Gross margin	32.2%	28.2%	4.0 ⁽¹⁾
Non-IFRS measures ⁽²⁾ :			
— Adjusted EBITDA	69,707	49,880	39.7
— Adjusted EBITDA margin	4.2%	3.0%	1.2 ⁽¹⁾
Gross profit of in-store e-commerce services	92,270	52,151	76.9
Gross margin of in-store e-commerce services	57.1%	50.5%	6.6 ⁽¹⁾
Net loss of in-store e-commerce services	(159,379)	(102,738)	55.1

Note:

(1) Percentage points.

(2) For details of our Non-IFRS measures, see "Management Discussion and Analysis – Non-IFRS Measures."

Our financial performance fully reflects our strategy on balancing profitability and scaleup, with gross profit increasing by 13.5% from RMB466.5 million in the second half of 2021 to RMB529.3 million in the first half of 2022, gross margin increased from 28.2% in the second half of 2021 to 32.2% in the first half of 2022, and adjusted EBITDA, which reflects our core operating results and financial performance, amounted to RMB69.7 million in the first half of 2022, representing an increase of 39.7% from the second half of 2021. While we continue to invest in our in-store e-commerce services, we incurred a net loss of 159.4 million. However, with our effective operations optimization, the gross margin of in-store e-commerce services increased from 50.5% in the second half of 2021 to 57.1% in the first half of 2022.

There is huge growth potential in each of our three principal business lines. According to iResearch, the estimated total transaction volume of the third-party mobile payment market was RMB325.6 trillion in 2022, and it is expected to continue to grow at a CAGR of 12.9% from 2020 to 2025. Further, the penetration rate of integrated payments in 2021 was estimated to be approximately 29.6% only, indicating significant room for future growth. Our advantages in the payment market also enables us to explore broader markets, including the market for digital services for small and medium merchants and the local lifestyle services market. According to iResearch, the estimated market for integrated payment-based digital services for small and medium merchants was RMB75.4 billion in 2021, and is expected to grow at a CAGR of 31.4% from 2020 to 2025. In addition, iResearch estimated that the size of local lifestyle services market was RMB24.7 trillion in 2021 and is expected to grow at a CAGR of 12.6% from 2020 to 2025. The online penetration rate of local lifestyle services is expected to grow to 30.8% by 2025.

Below are the key highlights from our three major business lines during the Reporting Period:

One-Stop Payment Services: Strong Financial and Operational Performance Despite Regional Resurgence of The Pandemic

Our one-stop payment services is the cross-selling foundation for in-store e-commerce services and merchant solutions. During the Reporting Period, despite the Pandemic resurgence in China, our GPV still reached approximately RMB1.06 trillion, representing year-on-year growth of 7.4%. Among which, the GPV of app-based payment services increased by 22.6% year-on-year, accounting for 70.6% of the total GPV for the Reporting Period, up from 61.8% for the six months ended June 30, 2021. The number of active payment service merchants using one-stop payment services reached a historical high of approximately 7.6 million, up 24.1% year-on-year, while the number of consumers connected to our merchants reached nearly one billion. Our growth was largely due to the following three factors:

- (1) Our business spread across over 300 cities in China, and the high level of geographical diversification allowed us to weather the impact from regional resurgences of the Pandemic.
- (2) We developed a nationwide sales network with nearly 16,000 channel partners, added nearly 1,000 partners in our open API cloud payment platform, and partnered with close to 100 commercial banks to co-develop merchant service systems, which contributed to growing GPV and merchant base.
- (3) We successfully raised payment fee rate to 12.0 basis points from 10.5 basis points compared with the corresponding period in 2021.

According to the *Thematic Analysis on Industrial Payment in China 2021* (《中國產業支付專題分析2021》) report published by Analysys, Yeahka ranked first in China's non-bank independent integrated QR code payment service market, in terms of its comprehensive capabilities including transaction volume and number of merchants served, according to Analysys. As we adhered to our strategy of focusing on better profitability and fully leveraging the industry-leading scalability and network effects we achieved last year, revenue from one-stop payment services increased by 21.8% year-on-year to RMB1,271.5 million in the first half of 2022, and overall fee rate increased to 12.0 basis points in the first half of 2022 from 10.5 basis points in the first half of 2021, demonstrating our pricing power in third-party payment market. As the fee rate increased, the commission paid to payment distribution channels was reduced accordingly, and the gross margin of one-stop payment services improved from 18.8% in the first half of 2021 to 20.9% in the first half of 2022.

Our effective marketing and channel strategies are the cornerstone of our successful merchant acquisition efforts. Over the past 10 years, we have established a multi-tiered nationwide sales channel network of nearly 16,000 independent sales agents in order to reach and penetrate into the wider market of small and medium merchants in China. We have also added nearly 1,000 partners in our cloud payment platform during the Reporting Period to reach a total of over 3,000 partners, which include SaaS, independent software vendor (ISV), fourth-party payment, and financial institutions. Through our standardized and open API, this highly scalable and compatible payment infrastructure platform can significantly lower research and development costs and increase payment connection efficiency by allowing our partners to customize solutions such as bill splitting, bill payment, payment custody, etc. Notably, during the Reporting Period, we collaborated with almost a hundred banks, including joint-stock banks and urban and rural commercial banks. Our close partnerships with banks also allow us to further reduce customer acquisition costs and increase merchant retention rate. Backed by the banks' nationwide branches network and massive merchant resources, we co-developed merchant acquisition systems, enabling merchants to activate bank accounts, establishing payment channels, providing merchant solutions and facilitating the development of digital currency electronic payment (DC/EP) with the banks. During the Reporting Period, we proactively participated in the planning and design of DC/EP technology standards and jointly promoted the implementation of DC/EP in cities including Shenzhen, Beijing, and Shanghai with a number of leading Chinese commercial banks.

Seasonality

Typically, during the Chinese New Year, offline merchants close their offline stores temporarily as they return to their hometowns, resulting in lower GPV until the end of holiday. However, our rapid growth in the first half of this year has largely offset this seasonal effect.

In-store E-commerce Services: Distinct Value Proposition and Explosive Growth

Aiming to retain the consumer base of nearly 1 billion reached by our one-stop payment services and assist merchants' effort to grow their business and help them generate income, we launched in-store e-commerce services as a valuable extension of our business connecting merchants and consumers and facilitating their interaction in our two-sided marketplace. Our goal is to foster a vibrant business community, let consumers have fun and exclusive experiences of great value, and enable local businesses to thrive.

Consumers can access our marketplace through our App "Leshangquan" (樂商圈) and a range of other user interfaces such as WeChat mini-program, WeChat official accounts, Douyin mini-program, Kuaishou mini-program, etc. Partnering with these large traffic platforms by offering premium local lifestyle services to their users, we enable an omni-channel approach that helps merchants facilitate sales, retain consumers and interact with them, thus achieving unified management and all-round deployment in the private domain traffic. With billions of consumers using mobile payment globally, we are capable to help merchants reach an enormous amount of consumers in China and overseas.

The unique value propositions of our in-store e-commerce services are:

- (1) Highly-selective SKUs for a limited time in each city: Each SKU selected to be listed on our platform is ranked and chosen by our rating algorithm based on its discount rate, the store's location, and compatibility with local consumer preferences. To ensure the merchants' service quality, we limit the number and sales duration of the SKU. This also enables consumers to explore and continually find fresh and interesting experiences on our platform. Due to the limited sales duration and highly-selective mechanism of SKUs, our merchants are highly incentivized to provide the best-value experience packages in order to stand out and acquire focused traffic.
- (2) Key opinion leader (“**KOL**”)-driven, recommendation-based social fission marketing: We currently have nearly 4.5 million KOLs on social networks, who will proactively recommend more consumers within their social networks (such as their family, friends and neighbors) to register as our users and purchase our packages. We work together with KOLs and merchants closely to create richly diversified recommendation-based marketing materials, including the production of short videos or live-streams with KOLs experiencing the SKUs, providing a more interactive and immersive shopping experience on our platform. KOLs are rewarded with cash incentives for each purchase referral, which further motivates them to promote merchants' packages in their social circles.
- (3) Strong partnerships with major social internet platforms: In addition to our proprietary App, we also operate mini-programs on our partner internet platforms such as Douyin and Kuaishou. We enable KOLs to establish and grow their accounts on our partner platforms by cross-posting and promoting recommendation-based marketing resources such as posters and store-visit promotional videos, and retain end users on our branded mini-programs. This omni-channel strategy allows our merchants to be seen by billions of Chinese internet users, and ultimately helps consumers find these remarkable experiences across different platforms.
- (4) No upfront advertising fees: Merchants save the advertisement and traffic fees that they may have had to pay on other platforms to offer their products at the most competitive price level. Our packages are usually 30% to 50% cheaper than those on other mainstream platforms that offer standardized auction-based advertisement services. We believe this pricing model aligns our interests with those of the merchants' and offers pure performance-based services.

Despite challenges from the macro economy and localized Pandemic outbreaks, thanks to the differentiation advantages mentioned above and full utilization of our payment-based ecosystem and resources, in-store e-commerce services had achieved significant growth under controllable investment, with its GMV reaching nearly RMB1.4 billion and the number of paying consumers reaching approximately 9.7 million during the Reporting Period, representing increases of 1,789.7% and 578.9%, respectively, compared with the corresponding period in 2021, the monthly active users (MAU) exceeded 19.0 million during the Reporting Period.

To better help merchants design popular packages, we have a dedicated team of close to 1,500 product marketing specialists with extensive knowledge of local competitive landscapes and consumer preferences. Building on the geographic coverage of our one-stop payment services, we have now established more than 300 regional sites. During the Reporting Period, the SKUs we offered had surpassed 205.3 thousand, an increase of 39.6% from the second half of 2021. As we are expanding rapidly across China, all newly opened sites need to go through a ramp-up phase of 3-6 months. As of the end of the Reporting Period, nearly half of the sites are stabilized and profitable. Despite the net loss for in-store e-commerce services increased to RMB159.4 million during the Reporting Period from RMB102.7 million during the second half of 2021, we remained committed as we believe the business will realize its value in the long run. Also, by continually optimizing our operations at different stages and gradually realizing economies of scale, we achieved significant growth in the first half of 2022 while improving operating efficiency continuously. As single-month GMV has already exceeded RMB360 million in July 2022, we reaffirm the guidance of achieving RMB2.8 billion to RMB3.5 billion in GMV for the full year of 2022.

Merchant Solutions: Focus on Merchant Conversion and Retention

We offer full life-cycle merchant solutions to small and medium offline merchants, helping them reduce costs and improve efficiency through providing digitalized operating tools, acquire traffic and customers with precision marketing, and satisfy their need for working capital and insurance by fintech.

The Pandemic has created challenges for offline operation of small and medium merchants and accelerated their adoption of digitalized operating services. Our merchant solutions are seamlessly integrated with payment user engagement scenarios, i.e., our apps, creating a one-stop experience for merchants and allowing us to divert them from one-stop payment services to merchant solutions naturally. Our products offer very intuitive and simple user experience, and merchants are able to use our products without training. We have already served over 7.6 million payment services merchants and is able to naturally convert them into merchant solutions customers. Our extremely low customer acquisition costs allow us to serve more merchants with lower fees, thereby nurturing their habits of using digitalized solutions. We have also gradually increased the use of telesales to accelerate the conversion of payment services merchants. As of June 30, 2022, our number of active merchant solutions merchants has reached nearly 1.5 million.

To reduce costs and improve efficiency, we provide solutions that are standardized and customized for key industries such as food and beverage, retail, and beauty. Offline small and medium merchants face unprecedented challenges: cashier management, smart food ordering, queuing and reservations at the front end; management of purchase orders, employees, inventory and merchandising at the middle end; and financing and invoice management at the back end. Our customer success team regularly gives us feedback of the pain points faced by merchants, while our product development team continuously upgrades our digitalized functional modules to help merchants maintain competitiveness. For instance, when offline consumption was limited during the Pandemic, small and medium merchants were unable to acquire traffic through the mainstream takeaway platforms, that also charged them high delivery fees. Through connecting merchants with independent delivery companies, and with our online private domain customer acquisition capabilities, we helped merchants fulfill consumer orders through an integrated delivery module, allowing them to deliver orders to consumers using the fastest and most cost-effective delivery capacity.

Meanwhile, we actively embrace emerging technologies such as the metaverse and are exploring the leisure games model that combines games, rewards and augmented reality, empowering our merchants with higher customer retention and repeat purchases. During the Reporting Period, we collaborated with a leading baking brand to design levels in a game to deepen new users' understanding of the brand during the gaming experience, while increasing the frequency of repeated purchases and stickiness of existing users. Since the game's launch, the sharing rate, in-game coupon collection and redemption rate have reached 31%, 51% and 30% respectively. We will also launch a 3D business simulation game targeting end consumers to achieve social fission marketing and empower our ecosystem.

Some of the quality merchants that we serve also have short-term needs for working capital. Leveraging our in-depth merchant services and data accumulation, we can systematically and intelligently match merchants with most suitable banks through our platform to satisfy their financing needs. Meanwhile, we identify various risks in merchants' daily operations, allowing us to design and launch different kinds of insurance products including Pandemic insurance and employer liability insurance, etc.

Expanding our merchant base is our short-to-medium term core strategy. To support our merchant community during the resurgence of the Pandemic and ensure long-term user stickiness, we offered renewing merchants certain fee discount policies this year to help them overcome the adverse impact from the Pandemic. We served nearly 1.5 million active merchants with our merchant solutions, and the number of merchants increased 25.8% year-on-year. The revenue from our merchant solutions business has reached RMB 208.8 million, and the gross profit and gross margin increased by 14.0% and 34.1 percentage points year-on-year, respectively, during the Reporting Period.

Company Outlook and Strategy

On one-stop payment services, we will continue to strengthen our sales network, particularly our Open-API SaaS partnerships and bank partnerships. We will also look to embrace new payment standards such as DC/EP. On in-store e-commerce services, we will put utmost emphasize on improving user experiences, optimizing our cost structure and operating efficiencies. Based on the strong results in the past few months, we are confident that we will continue to realize tremendous growth on GMV and increase our market share. On merchant solutions, leveraging our strong payment merchant network, we will continue to empower merchants on optimizing digitalized operations and enhancing efficiency. We have raised US\$70 million in July 2022 to strengthen our offshore balance sheet, and we will explore overseas opportunities as cross-border travel gradually become available in China.

Overall, empowering the real economy and creating value for merchants and consumers has always been Yeahka's core values since its inception in 2011. As we enter the second half of 2022, we may still face challenges from weakened consumption environment. However, as we have demonstrated with our operating results in the first half of the year, we will continue to navigate through difficult times, capitalize on the data and traffic in our ecosystem and achieve healthy growth. We will continue to invest in research and development, enrich our product mix, enhance user experience, increase diversified revenue streams, extend business boundaries, and create sustainable value for shareholders, employees, and society.

Share Purchase Pursuant to the RSU Scheme

During the Reporting Period, the trustee of the restricted share unit scheme (the “**RSU Scheme**”) has utilized an aggregate of approximately HKD523.0 million to purchase 25,533,600 shares of the Company on market at a consideration ranging from HKD15.78 to HKD25.00 per share. The shares purchased during the Reporting Period represent 5.65% of our issued shares as of the date of this announcement. The share purchase plan was based on the Company’s operational growth outlook, capital market conditions, macroeconomic performance indicators and the Company’s continuous intention to retain and motivate key employees. On August 30, 2022, the Company announced that it would pay an aggregate amount of US\$70 million to the trustee of the RSU Scheme to purchase shares of the Company and facilitate share repurchase pursuant to a resolution passed by the shareholders of the Company on June 24, 2022 (the “**Repurchase Mandate**”) on market from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2022

	For the six months ended June 30,	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Revenue	1,641,845	1,402,464
Cost of revenue	(1,112,513)	(1,054,345)
Gross profit	529,332	348,119
Selling expenses	(234,012)	(88,699)
Administrative expenses	(151,545)	(130,910)
Research and development expenses	(133,964)	(107,711)
Impairment losses on financial assets	(28,952)	(27,122)
Other income	21,635	11,440
Gain on disposal of equity interest in former subsidiaries	—	332,172
Fair value changes of financial assets or financial liabilities at fair value through profit or loss – net	68,443	28,117
Other losses – net	(2,781)	(4,705)
Operating profit	68,156	360,701
Finance costs	(15,036)	(7,199)
Share of losses of investments accounted for using the equity method	(8,067)	(5,540)
Profit before income tax	45,053	347,962
Income tax expenses	(23,802)	(56,889)
Profit for the period	21,251	291,073
Profit for the period attributable to:		
Equity holders of the Company	75,103	302,746
Non-controlling interests	(53,852)	(11,673)

Non-IFRS Measures

We adopt EBITDA and adjusted EBITDA, which are 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 such as certain non-cash items and certain impact of investment transactions. 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 EBITDA and adjusted EBITDA 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 should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table illustrates reconciliations to our EBITDA and adjusted EBITDA from our profit for the periods indicated:

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Profit for the period	21,251	291,073
Adjusted for:		
Finance costs	15,036	7,199
Amortization of non-current assets	14,676	23,363
Depreciation of property, plant and equipment	22,288	17,170
Amortization of intangible assets	13,705	11,063
Income tax expenses	23,802	56,889
	<hr/>	<hr/>
EBITDA	110,758	406,757
Adjusted for:		
Share-based compensation expenses	27,392	27,030
Fair value changes of financial assets or financial liabilities at fair value through profit or loss	(68,443)	(28,117)
Gain on the disposal of equity interests in a former subsidiary	—	(332,172)
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Adjusted EBITDA	69,707	73,498
	<hr/> <hr/>	<hr/> <hr/>
Net loss of in-store e-commerce services	(159,379)	(44,030)
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Revenue

We generate revenue primarily through our three main types of business, namely (i) one-stop payment services; (ii) merchant solutions; and (iii) in-store e-commerce services. Our revenue increased by 17.1% from RMB1,402.5 million for the six months ended June 30, 2021 to RMB1,641.8 million for the comparative period in 2022, primarily due to the growth in one-stop payment services and in-store e-commerce services.

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

	For the six months ended June 30,			
	2022		2021	
	<i>RMB'000</i> (unaudited)	%	<i>RMB'000</i> (unaudited)	%
Revenue from one-stop payment services	1,271,485	77.5	1,044,240	74.5
Revenue from in-store e-commerce services	161,552	9.8	44,945	3.2
Revenue from merchant solutions ⁽¹⁾	208,808	12.7	313,279	22.3
Total	1,641,845	100.0	1,402,464	100.0

Note:

- (1) We have reclassified our technology-enabled business services to merchant solutions, which includes SaaS digital solutions, precision marketing services and fintech services.

One-stop payment services

Revenue from our one-stop payment services increased by 21.8% from RMB1,044.2 million for the six months ended June 30, 2021 to RMB1,271.5 million for the comparative period in 2022, primarily due to the increase in the total GPV we processed and the increase in fee rate, our effective marketing and channel strategy, and the increase in the number of active payment service merchants.

In-store e-commerce services

Revenue from in-store e-commerce services increased by 259.4% from RMB44.9 million for the six months ended June 30, 2021 to RMB161.6 million for the comparative period in 2022, primarily due to the increase in the total GMV and the number of paying consumers brought by the synergy effect with other business lines and effective promotion, partially offset by the decrease in the average fee sharing percentage as the portion of revenue recognised on a net basis increased significantly.

Merchant solutions

Revenue from our merchant solutions decreased by 33.3% from RMB313.3 million for the six months ended June 30, 2021 to RMB208.8 million for the comparative period in 2022 as we offered fee discount to the merchants in light of resurgence of Pandemic.

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,			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Commission and marketing costs	1,070,718	96.2	941,339	89.3
Amortization of non-current assets	14,676	1.3	23,363	2.2
Raw materials and consumables	7,250	0.7	68,692	6.5
Others	19,869	1.8	20,951	2.0
Total	<u>1,112,513</u>	<u>100.0</u>	<u>1,054,345</u>	<u>100.0</u>

Our cost of revenue increased by 5.5% from RMB1,054.3 million for the six months ended June 30, 2021 to RMB1,112.5 million for the comparative period in 2022, primarily due to (i) the increase in commission paid to payment distribution channels following the increase in the total GPV we processed; and (ii) the increase in commission paid to marketing distribution channels and partners resulting from the rapid expansion of our in-store e-commerce services.

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,			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
One-stop payment services	1,005,850	90.4	847,534	80.4
In-store e-commerce services	69,282	6.2	43,916	4.2
Merchant solutions ⁽¹⁾	37,381	3.4	162,895	15.4
Total	<u>1,112,513</u>	<u>100.0</u>	<u>1,054,345</u>	<u>100.0</u>

Note:

- (1) We have reclassified our technology-enabled business services to merchant solutions, which includes SaaS digital solutions, precision marketing services and fintech services.

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,			
	2022		2021	
	Gross profit <i>RMB'000</i> (unaudited)	Gross profit margin %	Gross profit <i>RMB'000</i> (unaudited)	Gross profit margin %
One-stop payment services	265,635	20.9	196,706	18.8
In-store e-commerce services	92,270	57.1	1,029	2.3
Merchant solutions ⁽¹⁾	171,427	82.1	150,384	48.0
Total	529,332	32.2	348,119	24.8

Note:

- (1) We have reclassified our technology-enabled business services to merchant solutions, which includes SaaS digital solutions, precision marketing services and fintech services.

Our gross profit increased by 52.1% from RMB348.1 million for the six months ended June 30, 2021 to RMB529.3 million for the comparative period in 2022 as a result of our increasing profitability in one-stop payment services and in-store e-commerce services.

Our gross profit margin increased from 24.8% for the six months ended June 30, 2021 to 32.2% for the comparative period in 2022, as a result of the increase in gross profit margin of all of our business lines.

Gross profit margin of our one-stop payment services improved steadily from 18.8% for the six months ended June 30, 2021 to 20.9% for the comparative period in 2022.

Gross profit margin of in-store e-commerce services increased from 2.3% for the six months ended June 30, 2021 to 57.1% for the comparative period in 2022, primarily due to the economies of scale as a result of our rapid growth and the beginning of the synergy effect brought by the acquisition of Dingding Cultural Tourism (Chengdu) Co., Ltd. (鼎鼎文化旅遊(成都)有限公司) (“**Dingding Cultural Tourism**”) in October 2021. Please refer to the Company’s announcement dated November 8, 2021 for details of the acquisition of Dingding Cultural Tourism.

Gross profit margin of merchant solutions increased from 48.0% for the six months ended June 30, 2021 to 82.1% for the comparative period in 2022 as a result of the economies of scale of our investment in software and the optimization of the overall business structure.

Selling Expenses

Our selling expenses increased by 163.8% from RMB88.7 million for the six months ended June 30, 2021 to RMB234.0 million for the comparative period in 2022, primarily due to (i) the increase in employee benefits as a result of the increase in headcounts of product specialists following the acquisition of Dingding Cultural Tourism; (ii) the increase in advertising and promotion expense as a result of promotion for our in-store e-commerce services; and (iii) the increase in outsourcing service fees incurred by Dingding Cultural Tourism.

Administrative Expenses

Our administrative expenses increased by 15.8% from RMB130.9 million for the six months ended June 30, 2021 to RMB151.5 million for the comparative period in 2022, primarily due to the increase in our employee benefits and our office and other administrative expenses as a result of the increase in our headcounts.

Research and Development Expenses

Our research and development expenses increased by 24.4% from RMB107.7 million for the six months ended June 30, 2021 to RMB134.0 million for the comparative period in 2022, primarily due to the increase in our commitment to new business and product development and the increase in headcount.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased by 6.7% from RMB27.1 million for the six months ended June 30, 2021 to RMB29.0 million for the comparative period in 2022 because we prudently provided impairment based on the credit risk rates and receivable balance.

Other Income

Our other income increased by 89.1% from RMB11.4 million for the six months ended June 30, 2021 to RMB21.6 million for the comparative period in 2022, primarily due to the increased interest income from bank deposits.

Gain on Disposal of Equity Interest in Former Subsidiary

For the six months ended June 30, 2021, we recorded a gain of RMB332.2 million on the disposal of 60% equity interests in Shenzhen Zhizhanggui Cloud Service Co., Ltd. (“**Zhizhanggui**”). No gain on disposal of equity interest in former subsidiary was recorded for the six months ended June 30, 2022.

Fair Value Changes of Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss-net

We recorded fair value changes of financial assets or financial liabilities at fair value through profit or loss of RMB28.1 million for the six months ended June 30, 2021 and RMB68.4 million for the six months ended June 30, 2022 respectively, primarily due to the fair value gains from the investments in preferred shares and related financial instruments of an investment company, Fushi Technology (Shenzhen) Co., Ltd (深圳市富匙科技有限公司).

Other Losses – Net

We recorded other losses – net of RMB4.7 million and RMB2.8 million for the six months ended June 30, 2021 and 2022 respectively, which were both primarily due to exchange rate losses.

Operating Profit

As a result of the foregoing, we recorded operating profit of RMB360.7 million for the six months ended June 30, 2021 and RMB68.2 million for the comparative period in 2022. The decrease was mainly due to our continued investment in in-store e-commerce services.

Finance Costs

Our finance costs increased by 108.9% from RMB7.2 million for the six months ended June 30, 2021 to RMB15.0 million for the comparative period in 2022 primarily due to an increase in interest expenses on our borrowings.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method increased by 45.6% from RMB5.5 million for the six months ended June 30, 2021 to RMB8.1 million for the comparative period in 2022, primarily due to certain of our associates incurred losses in the first half of 2022.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax decreased from RMB348.0 million for the six months ended June 30, 2021 to RMB45.1 million for the comparative period in 2022.

Income Tax Expenses

Our income tax expenses decreased by 58.2% from RMB56.9 million for the six months ended June 30, 2021 to RMB23.8 million for the comparative period in 2022. Our effective tax rate was 52.8% for the six months ended June 30, 2022 as deferred tax assets of certain businesses were not recognized due to prudent approach. Our effective tax rate was 16.3% for the six months ended June 30, 2021 primarily due to (i) the enterprise income tax levied on two of our profitable entities being qualified as “High and New Technology Enterprise”; and (ii) the corporate income tax exempted or deducted on three of our profitable entities being qualified as “Software Enterprise”.

Profit for the Period

As a result of the foregoing, our profit decreased from RMB291.1 million for the six months ended June 30, 2021 to RMB21.3 million for the six months ended June 30, 2022.

Adjusted EBITDA

Our adjusted EBITDA for the period decreased by 5.2% from RMB73.5 million for the six months ended June 30, 2021 to RMB69.7 million for the comparative period in 2022, primarily due to our increased investment in the fast-growing in-store e-commerce services.

Capital Structure

Our total assets decreased from RMB6,755.8 million as of December 31, 2021 to RMB6,549.0 million as of June 30, 2022. Our total liabilities increased from RMB3,555.1 million as of December 31, 2021 to RMB3,648.0 million as of June 30, 2022. Liabilities-to-assets ratio increased from 52.6% as of December 31, 2021 to 55.7% as of June 30, 2022.

Our current ratio, being current assets divided by current liabilities as of the respective date, decreased from 1.65 as of December 31, 2021 to 1.42 as of June 30, 2022.

Liquidity, Capital Resources and Gearing

The Group has adopted a prudent approach in financial resources management. For the six months ended June 30, 2022, we financed our operations primarily through cash generated from business operations, bank borrowings and capital contributions from our shareholders. Our cash and cash equivalents decreased by 34.4% from RMB2,057.9 million as of December 31, 2021 to RMB1,350.3 million as of June 30, 2022, primarily attributable to (i) the payment to the trustee of the restricted share unit scheme to purchase shares of the Company on market and (ii) the cash used in operating activities for expanding in-store e-commerce services business. As of June 30, 2022, the cash and cash equivalents of the Group were mainly denominated in RMB, USD and HKD.

Our gearing ratio, being borrowings divided by total equity and multiplied by 100%, increased from 15.9% as of December 31, 2021 to 18.4% as of June 30, 2022, primarily attributable to the decreased total equity as of June 30, 2022.

Capital Expenditures

Our capital expenditures primarily consist of payments for purchasing property, plant and equipment, intangible assets and payment terminals. Our total capital expenditures increased by 87.8% from RMB101.7 million for the six months ended June 30, 2021 to RMB191.0 million for the six months ended June 30, 2022.

Indebtedness

Our indebtedness mainly includes interest-bearing bank borrowings denominated in RMB. The following table sets forth a breakdown of our interest-bearing borrowings and lease liabilities as of the dates indicated:

	As of June 30, 2022 <i>RMB'000</i> (unaudited)	As of December 31, 2021 <i>RMB'000</i> (audited)
Non-current		
Lease liabilities	16,223	18,967
Current		
Borrowings	532,830	509,500
Lease liabilities	25,560	22,787
Total	574,613	551,254

Please refer to note 19 to the interim financial information for details of our borrowings.

Contingent Liabilities

As of June 30, 2022, 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, 2022, we pledged account receivables of about RMB7.0 million to one bank.

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 Disposals and Future Plans for Major Investments

Save as disclosed in note 21 to the interim financial information, we did not conduct any material acquisitions or disposals during the six months ended June 30, 2022. In addition, save for the expansion plans as disclosed (i) in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated May 20, 2020; and (ii) the section headed "Use of Proceeds" in the Company's announcement dated December 4, 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.

Significant Events After the Reporting Period

On July 4, 2022, the Company as issuer entered into a subscription agreement in relation to a proposed issue of US\$70 million convertible bonds due 2027, the issuance was completed on July 13, 2022 and the convertible bonds were listed on the Stock Exchange of Hong Kong Limited. Details of the issuance has been disclosed by the Company in its announcements dated July 4, 2022, July 5, 2022, and July 13, 2022.

Except as disclosed above and in note 22 to the interim financial information, there were no material events subsequent to June 30, 2022 which could have a material impact on our operating and financial performance as of the date of this announcement.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: 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, 2022, we had a total of 1,405 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.

RSU SCHEME

A RSU scheme (the “**RSU Scheme**”) was adopted by the Company on August 1, 2019. The RSU Scheme will be valid and effective for a period of ten years, commencing from the date of the first grant of the RSUs, being August 1, 2019. Further details of the RSU Scheme are set out in “Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme” in Appendix IV of the prospectus of the Company dated May 20, 2020.

Details of the RSUs granted under the RSU Scheme and the movements in RSUs during the six months ended June 30, 2022 are set below:

Name of RSU grantee	Position held with the Group	Number of Shares represented by RSUs as at January 1, 2022	Granted during the period	Date of grant	Vested during the period	Cancelled during the period	Lapsed during the period	Number of Shares represented by RSUs as at June 30, 2022
Director of the Company								
Luo Xiaohui	Executive Director of the Company, Senior Vice President of the Company, the Head of Information Security Supervision Group, and chief architect of the Company and Shenzhen Yeahka	500,000	80,000	January 1, 2018 and January 21, 2022	500,000	-	-	80,000
Yao Zhijian	Executive Director of the Company, and chief financial officer of the Company	-	120,000	January 21, 2022	-	-	-	120,000
Other connected persons of the Group								
Ren Yangbin	Executive director of Shenzhen Feiquan	30,000	-	August 1, 2019	-	-	-	30,000
Three directors of a subsidiary of the Company	Directors of a subsidiary of the Company	-	210,000	January 21, 2022	-	-	-	210,000
Other employee of the Group								
44 other employees of the Group		1,958,000	-	January 1, 2018 and August 1, 2019	310,000	126,000	-	1,522,000
6 other employees of the Group		292,500	-	January 7, 2021	-	87,500	-	205,000
60 other employees of the Group		-	1,090,000	January 21, 2022	-	317,840	-	772,160
Total		2,780,500	1,500,000		810,000	531,340	-	2,939,160

On January 21, 2022, the Company granted a total of 1,500,000 RSUs to a total of 65 RSU grantees pursuant to the RSU Scheme. The RSUs granted represent 1,500,000 underlying Shares and approximately 0.33% of the issued share capital of the Company as at June 30, 2022. For further details, please refer to the announcement of the Company dated January 24, 2022.

Save as disclosed above, during the six months ended June 30, 2022 and up to the date of this announcement, no further RSUs have been granted by the Company pursuant to the RSU Scheme.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on October 13, 2020. The purpose of the Share Option Scheme is to attract, retain, and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The Share Option Scheme remains valid for a period of ten years commencing on October 13, 2020. Further details of the Share Option Scheme were set out in the circular of the Company dated September 24, 2020.

The table below sets out the movements of the share options of our Company during the period from January 1, 2022 to June 30, 2022 granted under the Share Option Scheme:

Name of grantee	Outstanding as at January 1, 2022	Granted during the period	Date of grant ⁽⁴⁾	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at June 30, 2022	Exercise price (HKD per Share)	Vesting period	Exercise period
Directors of the Company										
Yao Zhijian	300,000	-	January 7, 2021	-	-	-	300,000	44.20 ⁽¹⁾	July 1, 2021– July 1, 2024	January 7, 2021– January 6 2031
Luo Xiaohui	100,000	-	January 7, 2021	-	-	-	100,000	44.20 ⁽¹⁾	July 1, 2021– July 1, 2024	January 7, 2021– January 6 2031
Employee of the Group										
119 employees of the Group	3,556,000	-	January 7, 2021	-	135,000	-	3,421,000	44.20 ⁽¹⁾	July 1, 2021– July 1, 2024	January 7, 2021– January 6 2031
68 employees of the Group	1,172,000	-	May 12, 2021	-	9,000	-	1,163,000	58.60 ⁽²⁾	May 12, 2022– May 12, 2025	May 12, 2021– May 11, 2031
210 employees of the Group	-	1,000,000	January 21, 2022	-	17,000	-	983,000	25.56 ⁽³⁾	January 24, 2023 – January 24, 2026	January 21, 2022 – January 21 2032
Total	5,128,000	1,000,000		-	161,000	-	5,967,000			

Note:

- (1) Being the highest of (i) HK\$44.20 per Share, the closing price of the Shares on the date of grant as stated in the daily quotation sheet issued by the Stock Exchange, (ii) HK\$39.45 per Share, the closing price of the Shares immediately before the date on which the options were granted, and (iii) US\$0.000025 per Share, the nominal value.
- (2) Being the highest of (i) HKD52.75 per share of the Company, the closing price of the share of the Company on the date of grant as stated in the daily quotation sheet issued by the Stock Exchange, (ii) HKD58.60 per share of the Company, the closing price of the share of the Company immediately before the date on which the options were granted, and (iii) US\$0.000025 per share of the Company, the nominal value. The closing price of the share of the Company immediately before the date on which the options were granted was HKD53.6.
- (3) Being the highest of the following: (i) the closing price of the Shares on the Date of Grant of HK\$24.7 per Share as stated in the daily quotation sheet issued by the Stock Exchange; (ii) the average closing price of the Shares of HK\$25.56 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of US\$0.000025 per Share.
- (4) Further details of the grants were set out in the Company's announcements dated January 7, 2021, May 12, 2021 and January 24, 2022.

As of June 30, 2022, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 5,967,000, representing 1.32% of the shares of the Company in issue as of that date. The total number of Shares available for issue under the Share Option Scheme was 36,653,507, representing 8.11% of the total number of Shares in issue as of the date of this announcement.

On January 21, 2022, a total of 1,000,000 share options were granted to 210 option grantees in accordance with the Share Option Scheme to subscribe for a total of 1,000,000 Shares, representing approximately 0.22% of the issued share capital of the Company as of June 30, 2022. None of the option grantees is a Director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules). For further details, please refer to the announcement of the Company dated January 24, 2022.

Save as disclosed above, during the six months ended June 30, 2022 and up to the date of this announcement, no further options have been granted by the Company pursuant to the Share Option Scheme.

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Hong Kong 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:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering ⁽¹⁾ (In HKD millions)	Actual usage for the six months ended June 30, 2022 ⁽¹⁾ (In HKD millions)	Actual usage up to 30 June 2022 ⁽¹⁾ (In HKD millions)	Unutilized net proceeds as at 30 June, 2022 ⁽¹⁾ (In HKD millions)	Expected timeline for utilizing the remaining net proceeds
Implementing sales and marketing initiatives in China and overseas markets	20.0	339.7	98.4	339.7	—	—
Expanding our merchant solution offerings ⁽²⁾	35.0	594.6	—	594.6	—	—
Enhancing our research and technology capabilities	35.0	594.6	132.5	493.7	100.9	By the second half of 2022
Working capital and general corporate purposes	10.0	169.9	—	169.9	—	—
Total	100.0	1,698.8	230.9	1,597.9	100.9	

Note:

- (1) The figures in the table are approximate figures.
- (2) We have reclassified our technology-enabled business services to merchant solutions, which includes SaaS digital solutions, precision marketing services and fintech services.

USE OF PROCEEDS FROM THE PLACING

Reference is made to the Company's announcements dated December 3, 2020, December 4, 2020, December 10, 2020 and December 17, 2020. The Group successfully raised total net proceeds (after deducting all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses) of approximately HKD778.0 million through the top-up placing of 20,795,052 shares of the Company to not less than six professional, institutional and/or individual investors at the placing price of HKD37.88 per share on December 17, 2020. The following table sets forth the status of the use of net proceeds from the placing up to 30 June, 2022:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the placing ⁽¹⁾ (In HKD millions)	Actual usage		Unutilized net proceeds as at 30 June, 2022 ⁽¹⁾ (In HKD millions)	Expected timeline for utilizing the remaining net proceeds
			for the six months ended 30 June, 2022 ⁽¹⁾ (In HKD millions)	Actual usage up to June 30, 2021 ⁽¹⁾ (In HKD millions)		
Developing and enhancing marketing services of the Company	25.0	194.5	—	194.5	—	—
Investing in new initiatives which are highly complementary to the current businesses of the Company	25.0	194.5	—	194.5	—	—
Recruiting business specialists and product managers in merchant solutions ⁽²⁾	15.0	116.7	30.6	85.9	30.8	By end of 2022
Strategic alliances with, investment in or acquisitions of highly complementary business service providers, including advertising platforms and SaaS developers	15.0	116.7	31.5	91.9	24.8	By end of 2022
Working capital and general corporate purposes	20.0	155.6	34.6	115.1	40.5	By end of 2022
Total	100.0	778.0	96.7	681.9	96.1	

Note:

1. The figures in the table are approximate figures.
2. We have reclassified our technology-enabled business services to merchant solutions, which includes SaaS digital solutions, precision marketing services and fintech services.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the six months ended	
		30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Revenue	6	1,641,845	1,402,464
Cost of revenue	9	(1,112,513)	(1,054,345)
Gross profit		529,332	348,119
Selling expenses	9	(234,012)	(88,699)
Administrative expenses	9	(151,545)	(130,910)
Research and development expenses	9	(133,964)	(107,711)
Impairment losses on financial assets	4.2(b)	(28,952)	(27,122)
Other income	7	21,635	11,440
Gain on disposal of equity interest in former subsidiaries		–	332,172
Fair value changes of financial assets or financial liabilities at fair value through profit or loss – net	13, 20	68,443	28,117
Other losses – net	8	(2,781)	(4,705)
Operating profit		68,156	360,701
Finance costs		(15,036)	(7,199)
Share of losses of investments accounted for using the equity method		(8,067)	(5,540)
Profit before income tax		45,053	347,962
Income tax expenses	10	(23,802)	(56,889)
Profit for the period		21,251	291,073
Attributable to:			
Equity holders of the Company		75,103	302,746
Non-controlling interests		(53,852)	(11,673)
		21,251	291,073
Earnings per share for profit attributable to equity holders of the Company (expressed in Renminbi (“RMB”) per share)			
– Basic	11	0.19	0.71
– Diluted	11	0.18	0.69

	Unaudited	
	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	<u>21,251</u>	<u>291,073</u>
Other comprehensive income/(loss):		
Items that will not be subsequently reclassified to profit or loss		
– Currency translation differences	79,956	(10,356)
Items that may be subsequently reclassified to profit or loss		
– Fair value changes of financial assets at fair value through other comprehensive income held by an associate	15,168	–
– Currency translation differences	<u>(35,944)</u>	<u>(8,086)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>59,180</u>	<u>(18,442)</u>
Total comprehensive income/(loss) for the period	<u>80,431</u>	<u>272,631</u>
Attributable to:		
Equity holders of the Company	134,283	284,304
Non-controlling interests	<u>(53,852)</u>	<u>(11,673)</u>
	<u>80,431</u>	<u>272,631</u>

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		71,176	74,257
Intangible assets	12	505,769	519,474
Investments accounted for using the equity method		132,904	125,243
Prepayments and other receivables	15	116,968	337
Financial assets at fair value through profit or loss	13	606,146	351,085
Deferred tax assets		33,795	35,921
Other non-current assets		84,357	21,674
		<u>1,551,115</u>	<u>1,127,991</u>
Current assets			
Inventories		8,893	9,864
Trade receivables	14	464,778	380,904
Loan receivables	16	451,042	545,703
Prepayments and other receivables	15	1,767,219	1,879,004
Financial assets at fair value through profit or loss	13	15,757	36,112
Restricted cash		928,256	702,546
Cash and cash equivalents		1,350,302	2,057,872
Other current assets		11,629	15,780
		<u>4,997,876</u>	<u>5,627,785</u>
Total assets		<u>6,548,991</u>	<u>6,755,776</u>
EQUITY			
Share capital		72	72
Reserves		2,143,119	2,487,831
Retained earnings		842,780	771,347
Equity attributable to equity holders of the Company		<u>2,985,971</u>	<u>3,259,250</u>
Non-controlling interests		<u>(85,011)</u>	<u>(58,579)</u>
Total equity		<u>2,900,960</u>	<u>3,200,671</u>

	<i>Note</i>	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	18	–	361
Lease liabilities		16,223	18,967
Financial liabilities at fair value through profit or loss	20	57,549	81,036
Deferred tax liabilities		54,338	42,638
		<u>128,110</u>	<u>143,002</u>
Current liabilities			
Trade and other payables	18	2,822,741	2,758,988
Contract liabilities		46,869	33,114
Current tax liabilities		91,921	87,714
Lease liabilities		25,560	22,787
Borrowings	19	532,830	509,500
		<u>3,519,921</u>	<u>3,412,103</u>
Total liabilities		<u>3,648,031</u>	<u>3,555,105</u>
Total equity and liabilities		<u>6,548,991</u>	<u>6,755,776</u>

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

NOTES TO 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 one-stop payment services, merchant solution services and in-store e-commerce 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 2022 (“**Interim Financial Information**”) is presented in RMB, unless otherwise stated. This interim financial information was approved for issue on 30 August 2022.

The outbreak of the 2019 Novel Coronavirus (“**COVID-19**”) has brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry including revenue, fair value of financial assets at fair value through profit or loss (“**FVPL**”), allowance for expected credit losses on trade and other receivables and so on. Since the outbreak of COVID-19, the Group has been keeping continuous attention to the situation of COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the Interim Financial Information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating results of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as set out in the 2021 annual report of the Company dated 31 March 2022 (the “**2021 Financial Statements**”).

2.2 Amended standards adopted by the Group

The Group has adopted the following amendments to existing standards which have been adopted by the Group for the first time for the financial year beginning on 1 January 2022:

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

These amendments 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 1 January 2022 and not been early adopted by the Group as of 30 June 2022 are as follows:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 2021 Financial Statements.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programmer focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2021 Financial Statements. There have been no significant changes in the risk management policies since 31 December 2021.

4.2 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade and other receivables. The Group also provided guarantees in offering loan facilitation services for loans granted by certain of the Group's loan facilitation partners. Pursuant to the terms of the guarantees, upon default in repayments by the debtors, the Group will be responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the debtors to certain of the Group's loan facilitation partners.

(a) Risk management

To manage risk arising from cash and cash equivalents and restricted cash, the Group places deposits in state-owned financial institutions in the PRC or reputable banks, financial institutions having high-credit-quality in the PRC and Cayman Island. There has been no recent history of default in relation to these financial institutions. The identified credit losses are immaterial.

To manage risk arising from trade receivables, the Group has policies in place to ensure that sale of service is made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For other receivables and loan receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and loan receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables and loan receivables are measured as either 12-month estimated credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime estimated credit loss.

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, loan receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

(b) Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure subject to impairment. The amount of financial assets below also represents the Group's maximum exposure to credit risk.

	Unaudited As at 30 June 2022			Audited As at 31 December 2021		
	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
Financial assets at amortised cost (IFRS 9)						
Cash and cash equivalents	1,350,302	-	1,350,302	2,057,872	-	2,057,872
Restricted cash	928,256	-	928,256	702,546	-	702,546
Trade receivables (i)	493,222	(28,444)	464,778	401,346	(20,442)	380,904
Loan receivables (ii)						
- Stage 1	452,919	(5,011)	447,908	552,897	(12,316)	540,581
- Stage 2	2,822	(1,718)	1,104	10,313	(6,012)	4,301
- Stage 3	8,041	(6,011)	2,030	6,998	(6,177)	821
Other receivables (iii)						
- Stage 1	1,729,581	(4,263)	1,725,318	1,804,472	(3,088)	1,801,384
- Stage 3	32,653	(32,653)	-	31,553	(31,553)	-

- (i) The following table contains an analysis of allowance for trade receivables based on overdue aging:

Unaudited 30 June 2022	Current	Less than	90-180 days	180-270 days	More than	Total
		90 days past due	past due	past due	270 days past due	
Expected loss rate	1.07%	6.26%	16.36%	30.34%	100.00%	5.77%
Gross carrying amount	353,965	49,681	55,392	31,130	3,054	493,222
Loss allowance	3,772	3,110	9,062	9,446	3,054	28,444
Audited 31 December 2021	Current	Less than 90 days past due	90-180 days past due	180-270 days past due	More than 270 days past due	Total
Expected loss rate	0.75%	5.51%	23.91%	39.73%	100.00%	5.09%
Gross carrying amount	289,996	61,004	42,841	4,737	2,768	401,346
Loss allowance	2,188	3,359	10,245	1,882	2,768	20,442

The loss allowances for trade receivables as at 30 June 2022 and 31 December 2021 reconcile to the opening loss allowances as follows:

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
At the beginning of the period/year	20,442	–
Provision for expected credit loss	<u>8,002</u>	<u>20,442</u>
At the end of the period/year	<u>28,444</u>	<u>20,442</u>

- (ii) Movement on the provision for expected credit loss allowance of loan receivables are set out as follows:

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
At the beginning of the period/year	24,505	16,550
Provision for expected credit loss	18,675	29,484
Write off	<u>(30,440)</u>	<u>(21,529)</u>
At the end of the period/year	<u>12,740</u>	<u>24,505</u>

- (iii) Movement on the provision for expected credit loss allowance of other receivables are set out as follows:

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
At the beginning of the period/year	34,641	21,504
Provision for expected credit loss	2,275	9,870
Others	–	3,267
	<u> </u>	<u> </u>
At the end of the period/year	<u>36,916</u>	<u>34,641</u>

4.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021 and 30 June 2022 by level of inputs adopted in the valuation techniques used for measuring fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	<u>15,757</u>	<u>–</u>	<u>606,146</u>	<u>621,903</u>
Liabilities				
Contingent consideration and others	<u>–</u>	<u>–</u>	<u>57,549</u>	<u>57,549</u>

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	<u>21,458</u>	<u>–</u>	<u>365,739</u>	<u>387,197</u>
Liabilities				
Contingent consideration and others	<u>–</u>	<u>–</u>	<u>81,036</u>	<u>81,036</u>

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the six months ended 30 June 2021 and 2022, there was no transfer between level 1 and 2 for recurring fair value measurements. The methods used to determine the fair value and the fair value changes in level 3 financial instruments are presented in Notes 13 and 20.

Valuation processes of the Group (Level 3)

A team in the finance department of the Group performs the valuations of financial instruments required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer (“CFO”). Discussions of valuation processes and results are held between the CFO and the valuation team at least twice a year.

At each half financial year end the finance department:

- verifies all major inputs to the valuation report;
- assesses valuation movements when compared to the prior valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables and borrowings approximate to their fair values due to their short maturities.

5 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 chief executive officer (“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 considers 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.

6 REVENUE

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
One-stop payment services	1,271,485	1,044,240
Merchant solutions services	208,808	313,279
In-store e-commerce services	161,552	44,945
	1,641,845	1,402,464

For the six months ended 30 June 2022, interest income from entrusted loans and small-sized retail loans amounting to RMB44,330,000 (six months ended 30 June 2021: RMB38,138,000) was included in revenue derived from merchant solutions services. Except for interest income which is recognised over time, revenues of the Group are recognised at a point in time according to the related provisions prescribed under IFRS 15.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2022 and 2021.

7 OTHER INCOME

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants	11,938	8,723
Interest income from bank deposits	9,697	2,717
	21,635	11,440

8 OTHER LOSSES, NET

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Net exchange losses	(5,146)	(2,512)
Gains on disposal of property, plant and equipment	778	–
Gain on deemed disposal of an associate	560	–
Others	1,027	(2,193)
	(2,781)	(4,705)

9 EXPENSES BY NATURE

Costs and expenses included in cost of revenue, selling expenses, administrative expenses and research and development expenses are analysed as follows:

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Commissions and marketing costs	1,070,718	941,339
Employee benefit expenses	245,720	184,085
Raw materials and consumables	7,250	68,692
Advertising and promotion expenses	37,091	32,055
Amortization of non-current assets	14,676	23,363
Outsourcing service fees	149,589	20,990
Depreciation of property, plant and equipment	22,288	17,170
Office expenses	18,301	16,567
Amortization of intangible assets	13,705	11,063
Professional service fees	5,563	7,055
Rental expenses relating to short-term leases	18,037	5,432
Travel and transportation	4,672	3,418
Merchants validation fee	1,745	3,200
Auditor's remuneration	3,500	3,333
Others	19,179	43,903
	<u>1,632,034</u>	<u>1,381,665</u>

10 INCOME TAX EXPENSES

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax	9,976	64,134
Deferred income tax	13,826	(7,245)
	<u>23,802</u>	<u>56,889</u>

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	75,103	302,746
Weighted average number of ordinary shares in issue (in thousands) (i)	<u>403,913</u>	<u>425,142</u>
Basic earnings per share (expressed in RMB per share)	<u>0.19</u>	<u>0.71</u>

- (i) Weighted average number of ordinary shares in issue for the six months ended 30 June 2022 and 2021 has been determined based on the number of shares in issue, excluding the shares held for the purpose of share award schemes and certain restricted shares of the Company as depicted below.

In June 2019, the Company entered into a share purchase agreement with Mr. Zhang Ju (“**Mr. Zhang**”), the previous owner of Tuo-zhanbao Internet Financial Service (Shenzhen) Co., Ltd. (“**Tuo-zhanbao**”), pursuant to which Mr. Zhang transferred the entire issued share capital of Tuo-zhanbao to the Company in exchange for 15,487,856 ordinary shares issued by the Company (the “**Consideration Shares**”).

As set out in the share purchase agreement of Tuo-zhanbao, the Company should be entitled to require Mr. Zhang to transfer to the Company a certain number of the Consideration Shares at zero consideration if Tuo-zhanbao failed to meet certain performance targets in the next three years from the signing of the above share purchase agreement. Until Tuo-zhanbao met the performance targets, all the ordinary shares issued by the Company for the acquisition of Tuo-zhanbao would be restricted and could not be traded freely.

The aforesaid restricted shares had been excluded in the calculation of the weighted average number of ordinary shares until 1 June 2022, when Tuo-zhanbao met the performance targets and the consideration shares were released to Mr. Zhang.

(b) Diluted earnings per share

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

The Group has three categories of potential ordinary shares in the period ended 30 June 2022 which were the share options, the restricted share units and the restricted ordinary shares issued for the acquisition of Tuo-zhanbao as mentioned in Note (a) above.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company’s shares during the period) based on the monetary value of the subscription rights attached to outstanding restricted share units and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the restricted share units.

For the restricted ordinary shares issued for the acquisition of Tuo-zhanbao, only the dilutive impact prior to 1 June 2022 (being the time when these restricted shares were released) was included in the calculation of diluted earnings per share.

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
Profit attributable to equity holders of the Company	75,103	302,746
Weighted average number of ordinary shares in issue (in thousands)	403,913	425,142
Adjustments for restricted ordinary shares issued for the acquisition of Tuo-zhanbao (in thousands)	12,907	10,458
Adjustments for unvested restricted share units and share options (in thousands)	553	3,986
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in thousands)	417,373	439,586
Diluted earnings per share (expressed in RMB per share)	0.18	0.69

12 INTANGIBLE ASSETS

	Goodwill RMB'000 (a)	Customer relationship RMB'000	Software RMB'000	Platform RMB'000	Brand name RMB'000	Total RMB'000
As at 31 December 2021						
Cost	444,641	77,800	5,860	1,300	38,200	567,801
Accumulated amortization and impairment	(5,524)	(36,860)	(2,457)	(758)	(2,728)	(48,327)
Net book amount	439,117	40,940	3,403	542	35,472	519,474
Unaudited						
For the six months ended 30 June 2022						
Opening net book amount	439,117	40,940	3,403	542	35,472	519,474
Amortization charge	-	(8,939)	(329)	(325)	(4,112)	(13,705)
Closing net book amount	439,117	32,001	3,074	217	31,360	505,769
As at 30 June 2022						
Cost	444,641	77,800	5,860	1,300	38,200	567,801
Accumulated amortization and impairment	(5,524)	(45,799)	(2,786)	(1,083)	(6,840)	(62,032)
Net book amount	439,117	32,001	3,074	217	31,360	505,769
	Goodwill RMB'000	Customer relationship RMB'000	Software RMB'000	Platform RMB'000	Brand name RMB'000	Total RMB'000
As at 31 December 2020						
Cost	307,408	77,800	2,843	1,300	2,200	391,551
Accumulated amortization and impairment	(5,524)	(17,327)	(1,414)	(108)	(122)	(24,495)
Net book amount	301,884	60,473	1,429	1,192	2,078	367,056
Unaudited						
For the six months ended 30 June 2021						
Opening net book amount	301,884	60,473	1,429	1,192	2,078	367,056
Additions	-	-	1,643	-	-	1,643
Amortization charge	-	(9,767)	(605)	(325)	(366)	(11,063)
Closing net book amount	301,884	50,706	2,467	867	1,712	357,636
As at 30 June 2021						
Cost	307,408	77,800	4,486	1,300	2,200	393,194
Accumulated amortization and impairment	(5,524)	(27,094)	(2,019)	(433)	(488)	(35,558)
Net book amount	301,884	50,706	2,467	867	1,712	357,636

(a) The details of goodwill are as follows:

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Tuozhanbao	145,840	145,840
Shenzhen Leshua Shangquan Technology Co., Ltd. (“Leshua Shangquan”)	35,171	35,171
Beijing Chuangxinzhong Technology Co., Ltd. (“Chuangxinzhong”)	120,873	120,873
Dingding Cultural Tourism (Chengdu) Co., Ltd. (“Dingding Cultural”)	137,233	137,233
Shenzhen Leshou Cloud Technology Co., Ltd. (“Leshou”)	5,524	5,524
Impairment of goodwill of Leshou	(5,524)	(5,524)
	<u>439,117</u>	<u>439,117</u>

(b) The amortization of intangible assets has been charged to profit or loss as follows:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Cost of revenue	7,988	4,967
Administrative expenses	5,717	6,096
	<u>13,705</u>	<u>11,063</u>

13 FINANCIAL ASSETS AT FVPL

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Current assets		
Investment in listed entities (a)	15,757	21,458
Contingent assets (b)	–	14,654
	<u>15,757</u>	<u>36,112</u>
Non-current assets		
Investment in unlisted entities (c)	602,990	347,929
Contingent consideration (d)	3,156	3,156
	<u>606,146</u>	<u>351,085</u>
	<u>621,903</u>	<u>387,197</u>

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At the beginning of the period	387,197	99,028
Addition	–	106,039
Acquisition of a subsidiary (Note 21)	284,164	–
Disposal (e)	(125,315)	(3,737)
Changes in fair value	69,158	32,662
Currency translation differences	6,699	(145)
	<u>621,903</u>	<u>233,847</u>

- (a) The balance represented the Group's investments in equity interests of several listed securities on the Hong Kong Main Board of The Stock Exchange of Hong Kong Limited.
- (b) The contingent assets related to the contingent consideration in the form of the Company's shares for the acquisition of Tuozhanbao (see more details in Note 11(a) above). As a result of Tuozhanbao's meeting the performance targets during the current period, the contingent assets were derecognised which resulted in a fair value loss of RMB14,654,000.
- (c) The balance primarily comprised the Group's investments in preferred shares and financial instrument related to Fushi amounting to approximately RMB549,582,000 (as at 31 December 2021: 294,855,000).
- (d) It represented the fair value of the contingent consideration in relation to acquisition of Dingding Cultural as at 30 June 2022 which was determined by applying probability weighted scenario analysis as consistent with the methodology used in the valuation performed for the fair value as at 31 December 2021.
- (e) The disposal mainly represented the derecognition of the derivative financial instrument asset relating to certain equity interests in IVP Growth I Ltd. ("IVP Growth"), which was previously recorded in financial assets at FVPL, upon the acquisition of IVP Growth (Note 21).

14 TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables	493,222	401,346
Less: Allowance for expected credit loss (Note 4.2)	(28,444)	(20,442)
	<u>464,778</u>	<u>380,904</u>

- (a) The carrying amounts of the trade receivables balances were approximate to their fair value as at 30 June 2022. All the trade receivables balances were denominated in RMB.

- (b) The Group generally allows a credit period within 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
Up to 3 months	353,965	289,996
3 to 6 months	49,681	61,004
6 to 12 months	86,522	47,578
Over 1 year	3,054	2,768
	<u>493,222</u>	<u>401,346</u>

15 PREPAYMENTS AND OTHER RECEIVABLES

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

	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
Prepayments for:		
Land use rights	17,044	–
Payment terminals	99,497	–
Sub-total	<u>116,541</u>	<u>–</u>
Other receivables		
Deposits	1,414	1,318
Less: allowance for impairment of other receivables	(987)	(981)
Sub-total	<u>427</u>	<u>337</u>
	<u><u>116,968</u></u>	<u><u>337</u></u>

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

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Prepayments		
Prepayments for software as a service terminals and goods or services	6,789	16,197
Prepayments to media publishers and advertising agents	16,540	24,365
Others	18,999	37,395
Sub-total	<u>42,328</u>	<u>77,957</u>
Other receivables		
Amounts due from related parties	175,119	174,157
Receivables from payment networks (i)	1,455,095	1,565,542
Security deposits	37,434	42,172
Payment network deposits	1,390	1,390
Deposits placed with financial institutions	54,519	33,889
Others	37,263	17,557
Less: allowance for impairment of other receivables (Note 4.2(b))	<u>(35,929)</u>	<u>(33,660)</u>
Sub-total	<u>1,724,891</u>	<u>1,801,047</u>
	<u>1,767,219</u>	<u>1,879,004</u>

- (i) The balance represents funds processed by the Group during the process of providing its one-stop payment services and in-store e-commerce 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 between the Group and the merchants.

16 LOAN RECEIVABLES

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Loan receivables (i)	463,782	570,208
Less: allowance for impairment of loan receivables (Note 4.2(b))	<u>(12,740)</u>	<u>(24,505)</u>
	<u>451,042</u>	<u>545,703</u>

- (i) The loan receivables mainly comprise entrusted loans and small-sized loans to various borrowers. The loans bore interest rate from 8% to 36% per annum and with lending periods of less than one year.

17 DIVIDENDS

No dividends have been paid or declared by the Company for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

18 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Trade payables (a)	226,509	261,401
Amounts due to related parties	15,048	18,208
Deposits from distribution channels (b)	74,347	76,943
Payables to merchants (c)	2,354,762	2,260,888
Employee benefit payables	63,365	72,199
Individual income tax	1,953	1,989
Other taxes payables	36,361	22,489
Entry fees received from distribution channels (d)	–	361
Others	50,396	44,871
	<u>2,822,741</u>	<u>2,759,349</u>

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

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

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Up to 3 months	130,003	170,228
3 to 6 months	21,294	15,311
Over 6 months	75,212	75,862
	<u>226,509</u>	<u>261,401</u>

- (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 commission to distribution channels within cost of revenue using the straight-line method over the expected beneficial period of 3 years.

As at 30 June 2022 and 31 December 2021, trade and other payables were all denominated in RMB and the fair values of these balances were approximated to their carrying amounts.

19 BORROWINGS

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 <i>RMB'000</i>
Current		
Bank borrowings		
– unsecured with guarantee	525,830	456,000
– secured with guarantee	7,000	3,500
Borrowing from other non-banking financial institutions		
– unsecured with guarantee	–	50,000
	<u>532,830</u>	<u>509,500</u>

As at 30 June 2022, bank borrowings of RMB503,830,000 (31 December 2021: RMB447,000,000) were guaranteed by the Company and certain subsidiaries of the Group and RMB22,000,000 (31 December 2021: RMB9,000,000) were guaranteed by certain independence third parties and Mr. Qin Lingjin (“Mr. Qin”), a minority shareholder and key management person of a subsidiary.

As at 30 June 2022, bank borrowings of RMB7,000,000 (31 December 2021: RMB3,500,000) were secured by the pledge of certain trade receivables and guaranteed by Mr. Qin.

For the six months ended 30 June 2022, these bank borrowings bore effective interest rate of 4.36% (2021: 4.7%) per annum.

20 FINANCIAL LIABILITIES AT FVPL

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 <i>RMB'000</i>
Contingent consideration and others	<u>57,549</u>	<u>81,036</u>

The movement of the financial liabilities at FVPL is set out below:

	Unaudited For the six months ended 30 June 2022 RMB'000	2021 <i>RMB'000</i>
Opening balance	81,036	77,243
Settlement of the contingent consideration relating to the acquisition of Chuangxinzhong (a)	(28,390)	–
Changes in fair value	715	4,545
Currency translation differences	<u>4,188</u>	<u>(1,159)</u>
Closing balance	<u>57,549</u>	<u>80,629</u>

The balance represented the fair value of the contingent consideration payable relating to the acquisition of Chuangxinzhong, which the ultimate payout is contingent upon the fulfillment of certain guaranteed annual profit targets set for each of the three years ending 30 November 2021, 2022 and 2023 by Chuangxinzhong.

- (a) The guaranteed annual profit target for the year ended 30 November 2021 was met and the corresponding cash consideration amounted to RMB28,390,000 was paid by the Group during the six months ended 30 June 2022.

21 ACQUISITION OF A SUBSIDIARY

Acquisition of IVP Growth

On 27 June 2022, the Group acquired approximately 91% equity interests of IVP Growth at a total consideration of approximately RMB257 million. The directors of the Company have applied the optional test to identify concentration of fair value as prescribed by IFRS 3 'Business combination'. As the only asset of IVP Growth other than cash and cash equivalents represented the investment in the preferred shares of Fushi which was classified as financial assets at FVPL, the above acquisition was accounted for as acquisition of assets.

Details of the acquisitions are as follows:

	<i>RMB'000</i>
Purchase consideration	
– Fair value of the derivative financial instrument asset related to the 91% equity interests of IVP Growth at the acquisition date (<i>Note 13</i>)	122,182
– Cash paid	134,831
	<hr/>
Total consideration	257,013
	<hr/> <hr/>
Recognised amounts of identifiable assets acquired:	
Cash and cash equivalents	269
Financial assets at FVPL (<i>Note 13</i>)	284,164
	<hr/>
Total identifiable net assets	284,433
Less: non-controlling interests	(27,420)
	<hr/>
Net assets acquired	257,013
	<hr/> <hr/>
Payments of acquisition of a subsidiary, net of cash acquired	
– Cash paid	(134,831)
– Cash and cash equivalents of the subsidiary acquired	269
	<hr/>
Net cash inflow on acquisition	(134,562)
	<hr/> <hr/>

22 EVENTS AFTER BALANCE SHEET DATE

On 13 July 2022, the Company issued 6.25% convertible bonds with an aggregated principal amount of USD70 million (the “**Bonds**”) at the face value. The Bonds will mature in five years from the issuance date and are convertible to ordinary shares of the Company at the holder’s option at initial conversion price of HKD23.32 per share (the “**Conversion Price**”) during the period from 23 August 2022 to the tenth day prior to the Bonds’ maturity date.

The Company has the right to early redeem the Bonds and the bondholders have the right to require the Company to early redeem the Bonds. Details of the redemption options are as follows:

(a) The Company’s redemption option

On giving not less than 30 nor more than 60 days’ notice (an “**Optional Redemption Notice**”) to the Bonds’ trustee and principal agent in writing and to the bondholders, the Company will have the right to redeem all but not some only of the Bonds on the date (the “**Optional Redemption Date**”) specified in the Optional Redemption Notice at their principal amount together with any interest accrued but unpaid up to but excluding the Optional Redemption Date at the following time:

- (i) At any time after 13 August 2025, provided that the closing price of the Company’s share, for 20 out of 30 consecutive trading days, the last of which occurs not more than 5 trading days prior to the date of the Optional Redemption Notice, was at least 150% of the Conversion Price; or
- (ii) At any time if, prior to the date the relevant Optional Redemption Notice is given, conversion rights shall have been exercised or redemptions have been affected in respect of 90% or more in aggregate principal amount of the Bonds originally issued.

(b) The bondholders’ redemption option

On 13 July 2024 and 13 July 2025, respectively, (each, an “**Optional Put Date**”), the holder of each bond will have the right at such holder’s option, to require the Company to redeem all or some only of the Bonds of such holder on the relevant Optional Put Date at its principal amount together with any interest accrued but unpaid up to but excluding such relevant Optional Put Date.

OTHER INFORMATION

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

On March 31, 2022, the Company announced that it would pay an amount of no more than US\$50 million to the trustee of the RSU Scheme (the “**Trustee**”) to purchase shares of the Company on market from time to time. The shares purchased would be used as awards for the RSU participants. For details, please refer to the Company's announcement dated March 31, 2022.

For the six months ended June 30, 2022, the trustee of the restricted share unit scheme has utilized an aggregate of approximately HKD523.0 million to purchase 25,533,600 shares of the Company on market at a consideration ranging from HKD15.78 to HKD25.00 per share. The shares purchased during such period represent 5.65% of issued shares of the Company as at June 30, 2022, and will be used as awards for the participant(s) in the RSU Scheme. For further details, please refer to the Company's announcements dated May 10, 2022.

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

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 for the six months ended June 30, 2022 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 provision C.2.1 of Part 2 as explained below.

Code provision C.2.1 of Part 2 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 the Company, and the fact that Mr. Liu has assumed the role of chief executive officer of the 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 the Company.

While this will constitute a deviation from code provision C.2.1 of Part 2 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 the 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 our last reporting and up to June 30, 2022.

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 C.1.3 of Part 2 of the CG Code. No incident of non-compliance with the Employees Written Guidelines by the Company’s relevant employees had been noted since our last reporting and up to June 30, 2022.

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 June 30, 2022. 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, 2022 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 30, 2022

As at the date of this announcement, the Board comprises Mr. Liu Yingqi, Mr. Yao Zhijian and Mr. Luo Xiaohui as executive Directors, Mr. Mathias Nicolaus Schilling and Mr. Akio Tanaka as non-executive Directors and Mr. Tam Bing Chung Benson, Mr. Yao Wei and Mr. Yang Tao as independent non-executive Directors.