2020 ANNUAL REPORT

2020年度報告

Stock Code: 9923.HK

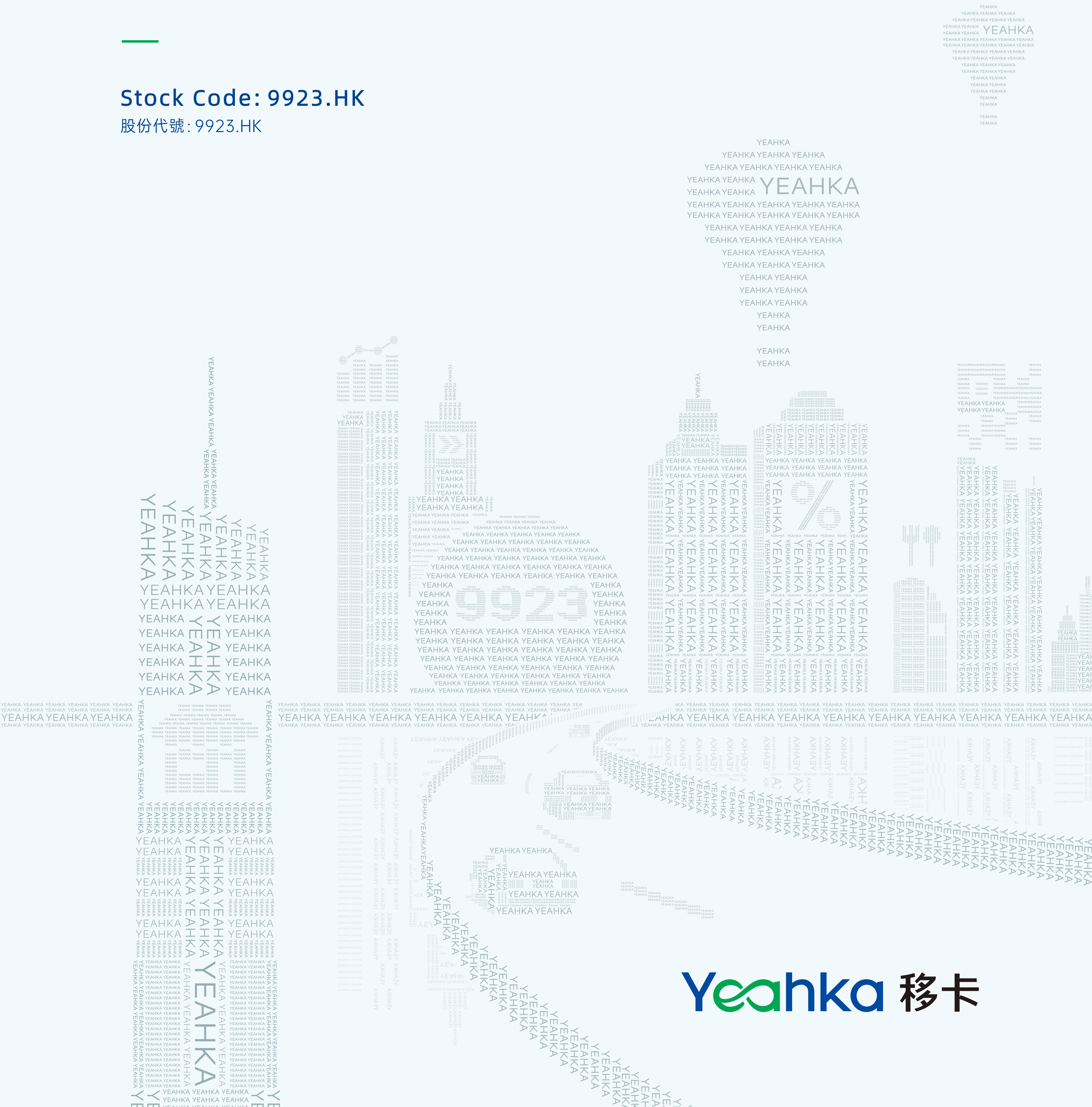
股份代號：9923.HK

Yeahka Limited

移卡有限公司

Incorporated in the Cayman Islands with Limited Liability

（於開曼群島註冊成立的有限公司）



Yeahka 移卡

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CORPORATE INFORMATION

Registered Office	**Vistra (Cayman) Limited** P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205 Cayman Islands
Headquarters	19/F A4 Building, Kexing Science Park 15 Keyuan Road, Nanshan District Shenzhen, China
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai, Hong Kong
Company's Website	https://www.yeahka.com/
Board of Directors	**Executive Directors** Mr. Liu Yingqi (Chairman) Ms. Zhou Lingli (resigned with effect from March 4, 2021) Mr. Yao Zhijian Mr. Luo Xiaohui (appointed with effect from August 28, 2020) **Non-executive Directors** Mr. Mathias Nicolaus Schilling Mr. Hirofumi Ono (resigned with effect from August 28, 2020) Mr. Akio Tanaka (appointed with effect from August 28, 2020) **Independent non-executive Directors** Mr. Tam Bing Chung Benson Mr. Yao Wei Mr. Yang Tao
Company Secretary	Ms. Mak Po Man Cherie *(an associate member of both the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom)*
Authorized Representatives	Mr. Yao Zhijian Ms. Mak Po Man Cherie

Audit Committee	Mr. Yao Wei (Chairman) Mr. Tam Bing Chung Benson Mr. Yang Tao
Remuneration Committee	Mr. Yao Wei (Chairman) Mr. Liu Yingqi Mr. Tam Bing Chung Benson
Nomination Committee	Mr. Liu Yingqi (Chairman) Mr. Yao Wei Mr. Tam Bing Chung Benson
Hong Kong Legal Adviser	**Miao & Co. (In association with Han Kun Law Offices)** Rooms 3901-05, 39/F Edinburgh Tower, The Landmark 15 Queen's Road Central Hong Kong
Independent Auditor	**PricewaterhouseCoopers** Certified Public Accountants Registered Public Interest Entity Auditor 22/F, Prince's Building Central Hong Kong
Compliance Adviser	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
The Cayman Islands Principal Share Registrar and Transfer Office	**Maples Fund Services (Cayman) Limited** Boundary Hall, Cricket Square PO Box 1093 Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Principal Banks	**Industrial and Commercial Bank of China, Shenzhen Meilin Yicun Sub-branch** No. 112, Zone 5, Meilin Yicun Futian District Shenzhen, PRC
	China Everbright Bank, Shenzhen Fortune Branch 1/F, Fortune Building 88 Fuhua 3rd Road, Futian District Shenzhen, PRC

FOUR-YEAR FINANCIAL SUMMARY

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**2,292,903**	2,258,019	992,891	304,688
Gross profit	**743,679**	647,035	269,535	118,146
Operating profit/(loss)	**352,426**	352,696	33,161	(51,050)
Profit/(loss) before income tax	**454,462**	151,039	(187,961)	(332,677)
Profit/(loss) for the year attributable to:				
Equity holders of the Company	**438,907**	84,663	(182,794)	(342,024)
Non-IFRS Measure:				
Adjusted net profit/(loss)[1]	**360,597**	301,016	39,507	(33,511)

Note:

(1) See "Management Discussion and Analysis – Non-IFRS Measures" in this annual report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets	**609,405**	413,876	215,832	69,184
Current assets	**5,013,985**	1,860,160	1,553,312	978,853
Total assets	**5,623,390**	2,274,036	1,769,144	1,048,037
Equity and liabilities				
Equity/(deficit) attributable to equity holders of the Company	**3,119,787**	(555,496)	(797,964)	(583,019)
Total equity/(deficit)	**3,166,855**	(555,496)	(797,964)	(583,019)
Non-current liabilities	**132,046**	1,453,897	1,102,520	834,648
Current liabilities	**2,324,489**	1,375,635	1,464,588	796,408
Total liabilities	**2,456,535**	2,829,532	2,567,108	1,631,056
Total equity and liabilities	**5,623,390**	2,274,036	1,769,144	1,048,037

CHAIRMAN'S STATEMENT

Dear Shareholders,

We would like to express our sincere gratitude to all the Shareholders for your continuous support both before and after our Listing. I am pleased to present the annual report of the Group for the year ended December 31, 2020 on behalf of the Board.

As a leading payment-based technology platform in China, the Company continues to adhere to its business philosophy of "Start From Payment, Go Beyond Payment". The Company has progressively established an independent and sustainable commercial digitalized ecosystem through leveraging its App-based payment services. In 2020, the Company was officially listed on the Main Board of the Stock Exchange, enhancing the Company's capital strength, brand awareness, and laying a solid foundation for the future rapid development. During the year ended December 31, 2020, leveraging its resources including the traffic and data within its ecosystem, the Company was also able to expand its business by launching innovative technology-enabled products and services that included merchant SaaS, precision marketing and fintech, in turn enabling the Company to achieve rapid growth. Meanwhile, the synergies across various technology-enabled services and products allow cross-selling and accumulation of multi-dimensional big data which strengthen merchant and consumer stickiness. This supports the Company's continuous growth in payment services and establishment of a closed-loop ecosystem which is based on, and beyond payment services.

Challenges from the Pandemic and the Significant Opportunities Arising from Digitalization

2020 was an unusual year that was upended by the impact from the Pandemic. Most industries in China experienced significant challenges and shocks, especially the traditional ones that were forced to transform in order to stay afloat. The digitalization of every aspect of our social lives gained further strategic importance in China's economic development. During this critical time, we seized the opportunity to constantly promote digital upgrades and integration of industries, and launched new products and services that created value for both merchants and consumers, with an aim to establish a commercial digitalized ecosystem.

In terms of our merchant ecosystem, the PRC Government has continued to strengthen its support for the small-store economy and small and micro merchants. New government policies driving financial inclusion and tax incentives were introduced to assist small and medium enterprises, and to accelerate the post-Pandemic economic recovery. According to iResearch, the number of registered small and micro sized merchants in China reached over 132 million as of the end of 2020, accounting for 97.0% among all types of offline merchants in China. The continuous growth of small and micro sized merchants, our key target customers, has presented us with ample new market opportunities. The number of active payment service merchants we served continued to grow, increasing by approximately 2.4 times from approximately 1.6 million as of the end of 2017 to approximately 5.5 million as of the end of 2020.

In terms of our consumer ecosystem, the Pandemic has also reshaped consumer behavior in many ways, accelerating the demand for an increasingly convenient lifestyle with more consumers switching to "neighboring new consumption communities" such as community stores for small and high-frequency purchases. The number of consumers served through our payment service maintained a high growth rate despite the impact of the Pandemic. As of December 31, 2020, the payment service consumers increased by 75.5% year-on-year to 645 million. Meanwhile, the total count of App-based payment transactions increased by 119.1% in the second half as compared to that in the first half of 2020, while the peak daily count of QR code payment transactions exceeded 30 million.

Progressively Established a Commercial Digitalized Ecosystem that Creates Significant Social Value

Digitalization is radically transforming offline businesses. According to iResearch, as of 2019, penetration of digital services among small and micro sized merchants in China remained limited, as less than 5% of the small and micro sized merchants had smart terminals such as smart POS and digital cashier. Consumers are now used to interacting with merchants through well-designed and highly capable platforms that deliver a powerful user experience. Our platform provides small and micro sized merchants with comparable enterprise-level standards and functionality, tailored for the unique characteristics of their businesses, allowing them to offer their customers a differentiated consumer experience. Our solution needs minimal upfront training and simplifies complex tasks. We help small and micro sized merchants enhance their brand, optimize their customer experience, and achieve success.

With one-stop payment services, we get to connect with a vast consumer base and gained multi-dimensional insights in transactional and behavioral preferences. By integrating these insights with the vast amount of payment transaction traffic, we are able to build a solid foundation for the expansion of Yeahka's consumer ecosystem by offering seamless and consistent offline consumption experiences.

Both the number of customers and revenue contribution from our technology-enabled business services notably increased in 2020. As of December 31, 2020, the number of customers served by our technology-enabled business services increased by 128.2% year-on-year, with revenue contribution increasing to 20.2%, and gross profit contribution increasing to 35.0%. Gross profit margin for the Group increased from 28.7% in 2019 to 32.4% in 2020. This led to an increase of 14.9% to RMB743.7 million, and 19.8% to RMB360.6 million, in gross profit and adjusted net profit respectively, despite the impact of the Pandemic.

Enriched Products and Service Portfolio for Yeahka

Since 2015, based on our forward-looking insights, we began building an infrastructure within our ecosystem that included cloud computing, a big data platform and AI technologies. We focused on mining traffic data to apply the same to our technology-enabled business model, that covers merchant SaaS products, precision marketing services and fintech services, thereby providing a long-term driving force for the development of the Company.

We continuously invest in developing products, technologies and payment channels to further strengthen our network of strategic partners. We are able to fulfil the needs and expectations of merchants through an enriched product and service portfolio. Through our proprietary research and development, as well as investments, we have been rapidly expanding our merchant SaaS product portfolio, which includes Smart Shopkeeper (智掌櫃), Milican (米粒餐), Juhuisaosao (聚惠掃掃), Yuehuiquan (約惠圈), and Yuehuiquan Pro (約惠圈 Pro), all of which are increasingly being used by our merchant customers. On top of strengthening our core business, we are actively seeking strategic alliances, and opportunities for investment and mergers and acquisitions, in order to enhance and expand Yeahka's ecosystem, covering the merchant SaaS segment. We have recently entered into an agreement for a strategic investment in Shenzhen Bolink Technology Co., Ltd. to enter the high-frequency smart parking business. Also, RYK Capital Partners Limited, an investment platform jointly established by the Company and Recruit Holdings Co., Ltd., also strategically invested in Jiangsu Ruipos Data Technology Co., Ltd. to expand its presence in the merchant SaaS market for offline chain brands. In terms of precision marketing, we have acquired equity in Beijing Chuangxinzhong to obtain the strengths of core online media in precision marketing development and short video production.

In addition, our offline precision marketing platform, developed using our Big Data Management Platform ("**DMP**"), also recorded explosive growth during the year, where we continued to see rapid growth in the mobile performance-based advertising industry. Meanwhile, the acquisition of Beijing Chuangxinzhong rapidly improved our full-flow precision marketing platform and significantly enhanced the effectiveness of our performance marketing services which utilize digital content.

Outlook

Looking ahead, consumer and industrial Internet development in China will continue to facilitate the informatization and digital transformation of Chinese enterprises. The landscape of business services will change significantly during this process. For both our merchant and consumer business segments, we will continue to utilize the traffic and data captured through the vast number of payment transactions we process, to explore and seize potential market opportunities in various business segments. We will further promote a fully commercialized digital transformation enabled by Yeahka's ecosystem.

For our technology-enabled business services, we will continue to enhance our ecosystem which includes merchant SaaS products, precision marketing services and fintech services. We will also continue to deepen our position across more industries such as retail, catering, and other community lifestyle services by further expanding our merchant SaaS product portfolio and providing more targeted merchant SaaS services which cover the full business cycle of offline merchants. We aim to improve our merchants' operating efficiency and assist them with acquiring customers more effectively in a decentralized way. Leveraging our strengths in precision marketing services, we will also continuously enrich the data of our DMP and diversify media resources to precisely place advertisements for customers. These improvements in marketing efficiency and results are expected to help us achieve breakthroughs in online education, insurance, online services, and other emerging segments. Meanwhile, we believe that the value of our fintech services' flexibility and demand will be further unveiled as China's economy continues to recover.

In addition, we will accelerate to embrace the market changes, stay at the forefront of technological advancements, and proactively promote emerging payment methods such as digital currencies. With our ability to access millions of merchants and billions of consumers, we can utilize our rapidly growing data assets to develop more sustainable widely-used applications with higher user value. This will strengthen our capabilities in monetizing our merchant SaaS products, precision marketing services and fintech services by cross-marketing between our ecosystem of product and service offerings. We will continue to expand our business boundaries, strive to enable businesses to operate and acquire customers through decentralization, and provide greater convenience to consumers' lifestyle.

Appreciation

The Board would like to express our sincere gratitude to the Shareholders and customers of the Company for their continued support and trust for the Company. The Board would also like to thank all the employees and management team for executing the Company's strategies with dedication.

Liu Yingqi
Chairman

March 25, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

About Yeahka

Yeahka is a leading payment-based technology platform. The Company was listed on the Stock Exchange in June 2020 under the stock code of 09923.HK. The Company's vision is to build a commercial digitalized ecosystem to enable seamless, convenient and reliable payment transactions among merchants and consumers, and to further provide a rich portfolio of diversified technology-enabled business services, including (i) merchant SaaS products, which help customers improve their operating efficiency; (ii) precision marketing services, which allow customers to effectively reach their target markets; and (iii) fintech services, which satisfy customers' diversified financing needs.

Core Strategy to Drive Healthy Vertical and Horizontal Business Development

The Company has gradually built an independent scalable commercial digitalized ecosystem. The Company leverages payment as an entry point to reduce customer acquisition costs, increase transactions between merchants and consumers, obtain insights into operation and behavior, and continuously upgrade technologies and products to provide business services for customers. Meanwhile, benefiting from the joint synergies of its technology-enabled business services and products, the Company has been able to realize cross-selling, enhance multi-dimensional data accumulation, strengthen cohesiveness between merchants and consumers, which in return fueled the growth of its payment business, thereby creating a closed-loop ecosystem that is based on payment and beyond payment. During the year ended December 31, 2020 (the "**Reporting Period**"), based on this core strategy, the scale of merchants, consumers and traffic within the Company's ecosystem had continuously increased, facilitating the growth of products and services including merchant SaaS product portfolio, precision marketing services and fintech services. The Company will continue to leverage the healthy expansion of payment services to widen the boundary of technology-enabled business services, continuing to create value for merchants and consumers.

Payment Services

During the first half of 2020, the Company's payment services were inevitably affected by the Pandemic. The GPV and revenue from one-stop payment services in the first half of 2020 decreased by 16.3% and 11.0%, respectively, as compared to that in the first half of 2019, primarily because small and micro merchants had difficulty carrying on their businesses as usual during the first quarter of 2020 when the Pandemic reached its peak in China. As the Pandemic gradually started to subside in China since the second quarter of 2020, the Company's payment services rapidly recovered and achieved growth since the second quarter and particularly in the second half of 2020, with the GPV and revenue from one-stop payment services in the second half of 2020 increasing by 30.0% and 6.7%, respectively, as compared to that in the first half of 2020.

During the Reporting Period, the Company continued to diversify payment channels to expand its merchant base. Meanwhile, the Company actively optimized its payment-based technology platform, further integrated its internal resources, substantially increased R&D investments and continuously refined the management of its payment business operations.

In recent years, the PBOC has issued a number of administrative measures, significantly tightening the regulation of the third-party payment industry and raising the entry barriers, thereby creating an increasingly healthy environment for Yeahka to grow rapidly.

As compared to traditional payments, the Company's App-based payment services allow merchants to more conveniently reach consumers through their smart mobile devices. As a gateway business, it allows the Company to accumulate voluminous customer insights and create more opportunities to interact with merchants and consumers. During the Reporting Period, the Company has achieved significant results in expanding its payment service business. Although China's economy, particularly the business of offline small and micro merchants, experienced a relatively significant shock due to the impact of the Pandemic, transaction counts processed via App-based payment services recovered rapidly and exhibited sequential monthly increase since the second quarter. The total count of App-based payment transactions increased by 119.1%, while GPV increased by 28.5% in the second half of 2020 as compared to that in the first half of 2020. In particular, the peak daily count of QR code payment transactions during the Reporting Period exceeded 30 million. Meanwhile, despite the temporary impact of the Pandemic, the number of active payment service merchants and the consumers served by the Company's payment services both continued to increase. By the end of October 2020, the number of active payment service merchants had rebounded to pre-Pandemic level. As of December 31, 2020, the number of active payment service merchants increased by 4.5% year-on-year to 5.5 million. Meanwhile, the Pandemic has reshaped consumer behavior in multiple ways, as more and more consumers have turned to community stores and other "neighboring new consumption communities" for small and high-frequency purchases. During the first half of 2020, although the Pandemic was at its peak in China, the number of consumers served by the Company's payment services achieved a year-on-year increase of 115.5%. As of December 31, 2020, the number of consumers served by the Company's payment services increased by 75.5% year-on-year to 645 million.

The rapid recovery of the Company's payment services was attributable to its efforts in accelerating the optimization of multi-dimensional distribution channels during the Reporting Period. Firstly, the Company continued to collaborate with premium industry partners. With a strict monitoring system, the Company has developed a dimensional and hierarchical distribution network spreading across 314 cities in 30 provinces nationwide. As of December 31, 2020, the Company had collaborated with more than 10,000 independent sales agents and sales partners. Secondly, the Company proactively cooperated with nearly 900 merchant SaaS service providers that offer services in a wide range of offline-scenarios, including food and beverage, retail, parking, refueling, bike sharing, charger sharing, internet cafes, ticketing, tourist attractions, hotels and vending machines, by providing one-stop payment services to the merchants they served. Meanwhile, the Company also offered more comprehensive technology service solutions to these service providers by providing them with access to our other commercial digital products. Thirdly, by leveraging the abundant merchant resources and the nationwide branch network of joint stock banks, urban commercial banks and rural commercial banks, the Company co-developed a merchant payment service system and jointly provided bank card acquiring services with these banks, thereby helping these banks maintain and expand their merchant accounts, while accelerating the Company's efforts to establish payment channels and provide technology-enabled business services for merchants. As of December 31, 2020, the Company had established a merchant resources sharing system with nearly 50 banks, efficiently expanding the Company's payment service business.

In terms of emerging payment methods, the Company set up dedicated teams during the Reporting Period to support developments in areas such as digital currencies. During the Reporting Period, the Company started to deploy innovative applications for digital currencies and mobile payments in a bid to accelerate breakthroughs regarding the key technologies in the fields of mobile payments and terminal safety in relation to digital currencies, including e-wallet management, innovative applications based on e-wallets and financial IC cards, applications combining blockchain and digital currencies, as well as digital currency chip cards. Meanwhile, the Company developed close partnerships with top commercial banks in Shenzhen and was actively involved in the PBOC's official digital currency pilot project in Shenzhen. Going forward, the Company will continue to develop key technologies and enrich the context of use in diversified case scenarios related to digital currencies, aiming to better meet the market and customers' needs with relevant products and technology services when digital currency is officially launched in the future.

Merchant SaaS Product Portfolio

The Company has accumulated substantial merchant resources through its payment services. As merchants continuously digitalized their operations, the Company provided a comprehensive merchant SaaS product portfolio by leveraging the Company's deep understanding of merchant needs over the past decade. Yeahka's solutions have been built to meet enterprise-level standards and functionalities while being tailor-designed based on the unique characteristics of our merchants for simplicity and ease-of-use. The Company's one-stop products and services enabled merchants to manage store procurement, sales and inventory, process orders and one-stop payment collection, acquire and build relationships with consumers, operate native traffic, secure financial supports, and access in-depth business analytics and reports, which in turn reduce their operating costs, improve the efficiency of customer acquisition and increase customer loyalty.

During the Pandemic, we continuously kept abreast of changes in market conditions and proactively adjusted our business plans in response to the changes. In order to serve merchants' pressing needs to increase revenue by increasing operating efficiency, reducing labor costs and costs of marketing services, the Company launched two SaaS products, namely Juhuisaosao (聚惠掃掃) and Yuehuiquan (約惠圈) in 2020 for the purpose of addressing merchants' pain points, which had served more than 63,000 and 56,000 merchants in less than a year, respectively.

During the Reporting Period, RYK Capital Partners Limited ("**RYK Capital**"), an investment platform jointly established by the Company and Recruit Holdings Co., Ltd., a renowned Japanese Internet company, invested in Fushi. Fushi's one-stop merchant digitalized platform, "Haoshengyi" (好生意), is one of the core parts of the Company's ecosystem that helps the Company expand and serve its merchant base. As of December 31, 2020, Fushi had expanded its coverage to 25 cities nationwide and accumulated more than 320,000 merchants. The count of its peak daily payment transactions had exceeded 7.3 million, which was quadrupled in a single year in 2020, and the daily active users of its merchant App had exceeded 120,000 as of December 31, 2020. As of March 22, 2021, the count of Haoshengyi's peak daily payment transactions had exceeded 8.1 million. In February 2021, Fushi secured over RMB100 million series-A equity investment from Nomura Special Investments Singapore Pte. Ltd, a well- known foreign bank-backed asset management company, and IVP Annex I LLC, a renowned global venture capital firm. In March 2021, Fushi has reached an understanding in respect to its series A+ equity financing with ABCI and Cowin Capital, a leading investment firm in China. Pursuant to the understanding, ABCI is expected to invest USD10.0 million and Cowin Capital, through Shenzhen South China Chengzhanggongying Equity Investment Fund (Limited Partnership), a fund under its management, is expected to invest USD5.0 million.

The nationwide merchant network covered by its payment services allows the Company to timely and efficiently collect insights into merchant needs, which in turn helps the Company's R&D team to timely devote to the development of SaaS products and services that address merchants' common pain points. Meanwhile, after completing preliminary development, the Company can directly and repeatedly test and flexibly iterate new products and services with selected merchants and markets through Fushi. Once SaaS products and services are ready to launch, the Company's nationwide diversified merchant services network will be utilized to cross-sell the same from multiple dimensions. The Company's SaaS products and services are primarily accessible to merchants through online channels such as WeChat mini programs and merchant applications, as well as other offline touch-points, such as Smart Shopkeeper and Zhibaiwei.

During the Reporting Period, with the accumulation of market insights, the Company continuously enriched its SaaS product portfolio via proprietary R&D and external investments, to meet the broad demands of a large number of offline small and micro merchants in the retail, catering and other industries. Meanwhile, the Company continued to increase its R&D investments and upgrade functionalities of its products, with an aim to improve merchant stickiness by enhancing their operating efficiency, as well as managing and enlarging their private traffic.

For the retail industry, in 2020, the Company launched Juhuisaosao (聚惠掃掃), a proprietary aggregation payment tool with voice reminding function. Juhuisaosao can effectively reduce order delays and omissions during rush hours. Leveraging the big data capabilities of the Company's ecosystem, Juhuisaosao can provide merchants with multi-dimensional transaction reports and analysis, cash flow analysis and forecasts via mobile devices and WeChat mini programs based on their needs, thereby allowing merchants to gain additional insights into their business performance and facilitating business decisions. Since its launch, Juhuisaosao has been well received by merchants. In the first half of 2020, it had served over 11,000 merchants, which further increased significantly by 439.1% to 63,250 merchants in the second half of the year. During the Reporting Period, Juhuisaosao recorded daily peak sales volume of 1,191 units. In 2020, the Company also launched Smart Store (智慧小店), a lightweight SaaS product that offers merchants a one-stop platform to manage store procurement, sales and inventories. Meanwhile, based on the store management needs of merchants, Smart Store can be integrated with Juhuisaosao, which effectively transforms Juhuisaosao from a vertical SaaS product to a platform-based SaaS product. During the Reporting Period, RYK Capital as an investment platform jointly established by the Company and Recruit Holdings Co., Ltd. also strategically invested in Zhibaiwei (智百威). By capitalizing on Zhibaiwei's reach in the retail sector covering maternal and infant supplies, clothing and supermarkets, the Company integrated its various technology products and operational services with Zhibaiwei to provide an integrated intelligent cloud business solution to small and micro merchants.

For the catering industry, China's catering industry has entered a new era of diversification. The Company has launched enhanced solutions that target at different segments of the catering industry and types of merchants under two brands, namely "Smart Shopkeeper" (智掌櫃) and "Milican" (米粒餐). In particular, "Smart Shopkeeper" targets catering merchants with single stores, while "Milican" targets catering franchise brands with multiple stores. In order to capture opportunities arising from the trend of a more segmented and refined merchant market, during the Reporting Period, the Company developed and launched multiple versions to cover different segments of the catering market, including fast-food, formal dining, tea and beverages, fresh food and snacks. These products offer industry-specific functions such as taste preference adjustment, timely price adjustment, and inventory updates, supported by expandable add-on modules including intelligent procurement forecast, inventory taking, transaction tracking and store management. The Company's product portfolio includes an integrated SaaS restaurant management platform that has built-in Android operating system and can be upgraded online and integrated with the Company's other SaaS products. As compared to that in the first half of 2020, the number of merchants served by Smart Shopkeeper rose by 86.4% in the second half of the year. As of December 31, 2020, the total number of merchants served by Smart Shopkeeper increased by 201.1% year-on-year. The App ranked one of the tops on various Chinese mainstream e-commerce platforms in terms of sales volume and review ratings. During the Reporting Period, RYK Capital as an investment platform jointly established by the Company and Recruit Holdings Co., Ltd. also invested in Jiangsu Ruipos Data Technology Co., Ltd., a SaaS service provider focusing on domestic catering chains, including tea and beverages, fast food and lu wei (braised snacks) restaurants, with the aim of quickly expanding its presence in the China catering industry. In addition, the Company's portfolio companies include Shenzhen Xunxiang (樂外賣), a technology company offering SaaS software products for O2O food delivery, errands, intra-city distribution and other services. Lewaimai's principal fast food delivery business achieved rapid growth despite the impact of the Pandemic during the Reporting Period.

Meanwhile, in order to help merchants manage decentralized native traffic, in March 2020, the Company launched Yuehuiquan (約惠圈), a coupon aggregation and distribution platform built upon blockchain's underlying technology. As of December 31, 2020, the accumulated number of merchants of Yuehuiquan had exceeded 56,000. Currently, Yuehuiquan manages millions of coupons and was named and given a recordation number in the domestic blockchain-based information service by the Cyberspace Administration of the PRC in October in the same year. Leveraging the characteristics of decentralization and unamendability of blockchain, Yuehuiquan helps catering merchants issue, distribute and verify coupons, ensuring coupon traceability and safety, which will enhance merchant credibility and allow them to implement marketing campaigns more effectively. Yuehuiquan provides an easy-to-use toolkit for merchants to distribute coupons for marketing purposes, and the merchants can sign up on the platform and create discount, price-break and cash coupons based on various existing templates, and thereafter distribute and share coupons on their social platforms. These functions will enable merchants to acquire users, enlarge their native traffic, enhance customer engagement, encourage repeat purchases, improve operating efficiency, thereby boosting overall revenue. Yuehuiquan has been seamlessly connected to the Group's payment system, which enables a direct product verification function during payment transactions, thereby providing consumers and merchants with a convenient product experience. After continuous testing and refinements, in January 2021, the Group launched Yuehuiquan Pro, a community based fully-automated membership management platform, with the aim of assisting more merchants build customized membership programs from scratch and satisfying merchant's' increasing needs for customization. Comparing to Yuehuiquan, Yuehuiquan Pro, powered by automated algorithms, helps merchants automatically create chat groups through coupon leaflets and QR codes, automatically send greetings to customers and automatically push coupons to customers. It also brings functions of reward points redemption, limited time offer, group buying, lucky draw and keyword responses. These functions will allow merchants to reach their customers effectively, enhance user retention, conversion and repeat purchases efficiencies, and reduce operating costs, allowing them to operate their own native traffic more effectively and flexibly. Currently, both Yuehuiquan and Yuehuiquan Pro have been embedded into the Company's ecosystem to bolster its other SaaS products, including Haoshengyi, Juhuisaosao, Smart Shopkeeper, Zhibaiwei, complementing its strengths in membership management and marketing system. By connecting the values transmission network between consumer traffics and merchants, the Company is promoting the digital transformation of micro, small and medium enterprises, which will in turn improve the Company's overall technology-enabled business services portfolio.

Precision Marketing Services

The Company is dedicated to building a precision digital marketing platform based on diversified data traffic. Using proprietary payment data, combined with traffic from a wide range of use case scenarios, Yeahka maximizes value for its customers by intelligently matching target users with advertisers and merchants through its precision marketing services. In recent years, the Company has established a proprietary data management platform ("**DMP**"), and used it as the core to launch a precision advertising marketing platform — "Juliang" (聚量). During the Reporting Period, the total exposures of the Company's marketing services were more than 23.9 times of that in 2019. According to research data from Oliver Wyman Consulting, QR code payments will see annual growth rates of 36.9% till 2023, bringing huge opportunities for exposure to offline consumption scenarios. At the same time, dispersed offline traffic owners lack awareness of the potential of monetizing or the ability to monetize their customer data, while advertisers want to more accurately target their customers to boost advertising effectiveness. Yeahka uses its Juliang platform to connect advertisers with traffic owners, aggregating traffics from offline use case scenarios through an open portal. Based on the proprietary payment data, the Company expanded its diversified use case scenarios including catering, retail, parking, refueling, ticketing, bicycle sharing, charger sharing, internet cafés, tourist attractions and vending machines. Meanwhile, Yeahka leveraged its growing artificial intelligence ("**AI**") and machine learning capabilities to intelligently match target users, refining and labelling data in Juliang, thus precisely matching offline traffic owners' demands for monetization with advertisers' demand for advertisement placement results. In addition, according to the Company's estimate, over 4,000 business districts in China were responsible for over 80% of the offline consumer transactions. The Company has been exploring new marketing models that incorporate online and offline merchant groups to address merchants' marketing pain points.

Apart from the above, the Company proactively sought external expansion for its precision marketing services and made significant progress in diversifying its traffic via cooperation with online media such as Tencent and Toutiao. In November and December 2020, the Company reached an agreement to acquire a total of 85% equity interest in Beijing Chuangxinzhong, a leading content performance-based marketing service provider in China. The acquisition will not only allow the Company to quickly expand its advertising inventory, but will also further enhance its capabilities in collecting data related to user behaviors and preferences, benefiting from Beijing Chuangxinzhong's online media network, which will quickly bolster the Company's consumer profiles based on their preferences, data dimensions and strengthen traffic labels within Juliang, as well as improve its placement efficiency. During the Reporting Period, the Company also set up a short video center, aiming to improve its creativity of advertising contents by leveraging Beijing Chuangxinzhong's short video production capabilities to enhance the effectiveness of its digital marketing services.

Fintech Services

As commercial digitalization allows the Company to continuously accumulate insights into merchants and consumer demands, Yeahka has continuously developed fintech services for merchants, including loan facilitation services, entrusted loan services, small-sized loan and insurance referral services. During the Reporting Period, the Company prudently expanded its fintech business.

To optimize risk control at the greatest extent, the Company continued to invest in the R&D of risk control system to enhance its risk identification and management capabilities. Meanwhile, leveraging AI and machine learning algorithms to analyze and categorize merchant and consumer databases, the Company appropriately raised its lending standards.

As it is expected that the PRC Government will further encourage and promote inclusive finance and "small-store economy", the Company will stay committed to compliantly providing short-term financial solutions to merchants and consumers, and continuously enabling digital transformation by combining with the Company's other SaaS products.

During the Reporting Period, the total number of transactions that the Company facilitated was approximately RMB568.5 million, representing an increase of 15.2% as compared to that in 2019, with a weighted average tenure of 10.39 months. As of December 31, 2020, the M1+ delinquency rate by vintage (over 30 days overdue) remained stable at around 1.05% since the second quarter of the year, demonstrating the effectiveness of the Company's credit risk management capabilities in various economic cycles. In addition, during the Reporting Period, insurance referral services that the Company has jointly launched with insurance companies, such as fund security insurance and deferred payment insurance, maintained steady growth.

Yeahka's Underlying Technologies

The Company has made approximately RMB293.3 million R&D investment over the past three years. In 2020, the Company continued to strengthen its efforts in underlying technologies, aiming to maintain a stable, accurate, timely and highly secure transaction system.

As of December 31, 2020, the Company's various technical teams responsible for IT systems and infrastructure, large-scale distributed application technology, big data computing technology and AI were all led by experienced experts with extensive technical backgrounds. The Company's R&D personnel accounted for more than 67.6% of its total number of employees.

During the Reporting Period, with its strong underlying technologies and infrastructure, through building server facilities in various locations, deploying hybrid cloud structure, refining its operations and maintenance by conducting disaster recovery assessments and regular enhancement drills, the Company's transaction system achieved a daily processing capacity of 100 million transactions with high transactional stability which had remained intact from the impact of multiple external network failures. For infrastructure construction, the Company's backbone network bandwidth increased by 10 times from that in 2019. For big data processing, the Company's data warehouse scale and average daily processing data volume both achieved rapid growth.

The Company's sophisticated anti-fraud system automatically analyzes information across multiple dimensions to evaluate and minimize fraud exposure. It promptly identifies and intercepts fraudulent and suspicious transactions. As of December 31, 2020, the Company had not encountered any incidents where the Company failed to screen and report merchants that were identified as suspected money launderers by the PBOC. During the Reporting Period, the Company's fraud loss rate was 0.000022%.

In recent years, the Company has actively explored blockchain applications and practices in business scenarios, and has made solid progress in blockchain-based coupons. On October 30, 2020, Yeahka's consumer cloud platform was included in the fourth batch of domestic blockchain-based information service recordation list issued by the Cyberspace Administration of the PRC, and was utilized in a wide range of business scenarios. E-coupons generated by Yuehuiquan (約惠圈) will be stored, circulated and verified based on the underlying blockchain technology.

Meanwhile, the Company has integrated AI-powered graphic recognition, bio-recognition and blockchain technology into its payment services and merchant SaaS products to better control security. The Company has also applied image and video recognition and blockchain technology to enable automated real-time customer verification. Utilizing the Company's proprietary machine learning and blockchain-based algorithms, the Company's credit risk model is capable of intelligently analyzing a massive database, comprising over 3,600 proprietary and third-party variables for credit assessment, risk calculation and risk pricing.

RESULTS OF PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2020

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**2,292,903**	2,258,019
Cost of revenue	**(1,549,224)**	(1,610,984)
Gross profit	**743,679**	647,035
Selling expenses	**(73,691)**	(66,869)
Administrative expenses	**(181,273)**	(129,564)
Research and development expenses	**(127,778)**	(78,400)
Impairment losses on financial assets	**(50,189)**	(27,411)
Other income	**13,482**	4,983
Other gains – net	**28,196**	2,922
Operating profit	**352,426**	352,696
Finance costs	**(9,822)**	(5,615)
Share of losses of investments accounted for using equity method	**(13,964)**	(14,521)
Fair value changes of convertible redeemable preferred shares	**125,822**	(181,521)
Profit before income tax	**454,462**	151,039
Income tax expenses	**(13,682)**	(66,376)
Profit for the year	**440,780**	84,663
Profit for the year attributable to:		
Equity holders of the Company	**438,907**	84,663
Non-controlling interests	**1,873**	–

REVENUE

We generate revenue primarily through our two main types of business, namely (i) one-stop payment services; and (ii) technology-enabled business services. Our revenue increased by 1.5% from RMB2,258.0 million for the year ended December 31, 2019 to RMB2,292.9 million for the year ended December 31, 2020, primarily due to the rapid growth of technology-enabled business services, which was partially offset by the decrease in revenue from one-stop payment services as a result of the Pandemic.

The following table sets forth our revenue by business types for the years indicated:

	For the year ended December 31,			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Revenue from one-stop payment services	**1,829,409**	**79.8**	2,081,051	92.2
Revenue from technology-enabled business services	**463,494**	**20.2**	176,968	7.8
Merchant SaaS products	**29,912**	**1.3**	14,991	0.7
Marketing services	**364,886**	**15.9**	109,225	4.8
Fintech services	**68,696**	**3.0**	52,752	2.3
Total	**2,292,903**	**100.0**	2,258,019	100.0

One-stop payment services

Revenue from our one-stop payment services decreased by 12.1% from RMB2,081.1 million for the year ended December 31, 2019 to RMB1,829.4 million for the year ended December 31, 2020, primarily due to (i) the decrease in GPV we processed by 2.7% from RMB1,500.3 billion for the year ended December 31, 2019 to RMB1,459.6 billion for the year ended December 31, 2020 as a result of the Pandemic, which posed a degree of adverse impact to consumption in China, and hence demand for our payment services; and (ii) the decrease in average fee rate from 13.9 bps for the year ended December 31, 2019 to 12.5 bps for the year ended December 31, 2020.

Technology-enabled business services

Revenue from our technology-enabled business services increased by 161.9% from RMB177.0 million for the year ended December 31, 2019 to RMB463.5 million for the year ended December 31, 2020 as a result of the rapid growth in revenue from all types of our technology-enabled business services.

Merchant SaaS products

Revenue from our merchant SaaS products increased by 99.5% from RMB15.0 million for the year ended December 31, 2019 to RMB29.9 million for the year ended December 31, 2020, primarily due to our continuous efforts in launching new products and improving existing ones.

Marketing services

Revenue from our marketing services increased by 234.1% from RMB109.2 million for the year ended December 31, 2019 to RMB364.9 million for the year ended December 31, 2020, primarily due to (i) the increase in the number of technology-enabled business service customers, and our enhanced monetization capability; (ii) the growth of our precision marketing service as a result of the increase in our advertising inventory following the adoption of open platform traffic strategy, and the enhanced advertisement placement accuracy as a result of our continuous accumulation of data and improvement in analytics capabilities; and (iii) the acquisition of Lesaobai (the business operations of which have been subsequently transferred to Letuobao) and Beijing Chuangxinzhong in June 2019 and November 2020, respectively, the results of which were consolidated into our Group's financial statements.

Fintech services

Revenue from our fintech services increased by 30.2% from RMB52.8 million for the year ended December 31, 2019 to RMB68.7 million for the year ended December 31, 2020, primarily due to the growth of our entrusted loan business, small-sized loan business and loan facilitation service.

Cost of Revenue

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

	For the year ended December 31,			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Commissions and marketing costs	**1,433,606**	**92.5**	1,480,894	91.9
Processing fees	**14**	**0.0**	35,983	2.2
Amortization of non-current assets	**57,366**	**3.7**	57,459	3.6
Others	**58,238**	**3.8**	36,648	2.3
Total	**1,549,224**	**100.0**	1,610,984	100.0

Our cost of revenue decreased by 3.8% from RMB1,611.0 million for the year ended December 31, 2019 to RMB1,549.2 million for the year ended December 31, 2020, primarily due to (i) the decrease in commissions paid to payment distribution channels by RMB161.3 million following the decrease in the total GPV we processed resulting from the Pandemic, and (ii) the significant decrease in processing fees paid to payment networks for using their settlement services, which have been provided largely free of charge since the second half of 2019, which are partially offset by (i) the increase in commissions paid to marketing distribution channels and partners by RMB108.0 million as a result of the rapid growth of our marketing services, and (ii) the increase of RMB16.9 million in costs related to our merchant SaaS products due to business expansion.

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

	For the year ended December 31,			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
One-stop payment services	**1,346,076**	**86.9**	1,551,041	96.3
Technology-enabled business services	**203,148**	**13.1**	59,943	3.7
Total	**1,549,224**	**100.0**	1,610,984	100.0

Gross Profit and Gross Profit Margin

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

	For the year ended December 31,			
	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
One-stop payment services	**483,333**	**26.4**	530,010	25.5
Technology-enabled business services	**260,346**	**56.2**	117,025	66.1
Total	**743,679**	**32.4**	647,035	28.7

Our gross profit increased by 14.9% from RMB647.0 million for the year ended December 31, 2019 to RMB743.7 million for the year ended December 31, 2020 as a result of the significant growth of our technology-enabled business services. Our gross profit margin increased from 28.7% for the year ended December 31, 2019 to 32.4% for the year ended December 31, 2020, primarily due to the rapid growth of our technology-enabled business services, which had a higher level of gross profit margin than that of one-stop payment service.

Gross profit margin of our one-stop payment services increased from 25.5% for the year ended December 31, 2019 to 26.4% for the year ended December 31, 2020, primarily because we decreased the commission rate of our distribution channels since the second half of 2020 as they gradually recovered from the impacts of the Pandemic.

Gross profit margin of technology-enabled business services decreased from 66.1% for the year ended December 31, 2019 to 56.2% for the year ended December 31, 2020, primarily due to the increase in the proportion of revenue contributed by marketing services, which had a relatively lower gross profit margin.

Selling Expenses

Our selling expenses increased by 10.2% from RMB66.9 million for the year ended December 31, 2019 to RMB73.7 million for the year ended December 31, 2020, primarily due to (i) the increase in our sales and marketing headcount; and (ii) the enhanced efforts in promoting our merchant SaaS products, which are partially offset by the adjustment of our marketing strategy to cooperate more with distribution channels and less with online media publishers.

Administrative Expenses

Our administrative expenses increased by 39.9% from RMB129.6 million for the year ended December 31, 2019 to RMB181.3 million for the year ended December 31, 2020, primarily due to (i) the increase in our employee benefits and our office and other administrative expenses by RMB11.5 million and RMB25.1 million, respectively, due to the increase in our headcount; and (ii) the increase in depreciation and amortization expense of RMB7.7 million following the increase in our leased area.

Research and Development Expenses

Our research and development expenses increased by 63.0% from RMB78.4 million for the year ended December 31, 2019 to RMB127.8 million for the year ended December 31, 2020, primarily due to (i) the increase in our employee benefits of RMB34.8 million as a result of the increase in headcount; and (ii) the increase in system development, consulting and data validation cost of RMB8.3 million.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased by 83.1% from RMB27.4 million for the year ended December 31, 2019 to RMB50.2 million for the year ended December 31, 2020, primarily because, with reference to the expected credit loss indicators, we prudently increased the impairment provision for loan receivables in view of the impact of the Pandemic.

Other Income

Our other income increased by 170.6% from RMB5.0 million for the year ended December 31, 2019 to RMB13.5 million for the year ended December 31, 2020, primarily due to the increase in interest income from bank deposits of RMB5.4 million, primarily being interests from our deposits of the net proceeds from (i) the Global Offering and the exercise of the Over-allotment Option; and (ii) the subscription by Creative Brocade International for 20,795,052 new Shares issued by the Company under the general mandate pursuant to a placing and subscription agreement.

Other Gains – Net

We recorded other gains – net of RMB2.9 million for the year ended December 31, 2019, primarily due to deemed disposal gains from an associate of RMB2.2 million. We recorded other gains – net of RMB28.2 million for the year ended December 31, 2020, primarily due to gains on our deemed disposal of an associate of RMB20.0 million.

Operating Profit

As a result of the foregoing, we recorded operating profit of RMB352.7 million for the year ended December 31, 2019 and RMB352.4 million for the year ended December 31, 2020.

Finance Costs

Our finance costs increased by 74.9% from RMB5.6 million for the year ended December 31, 2019 to RMB9.8 million for the year ended December 31, 2020, primarily due to the increase in interest expense of RMB3.5 million from our bank borrowings.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method remained stable at RMB14.5 million and RMB14.0 million, respectively for the year ended December 31, 2019 and 2020.

Fair Value Changes of Convertible Redeemable Preferred Shares

We recognized losses from fair value changes of the convertible redeemable preferred shares of RMB181.5 million for the year ended December 31, 2019, while we recorded gains from fair value changes of the convertible redeemable preferred shares of RMB125.8 million for the year ended December 31, 2020. The fair value of these shares as at December 31, 2019 was determined with reference to a valuation performed by an independent valuer, whereas their fair value as at the date of conversion was determined with reference to the offering price upon the Listing.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 201.0% from RMB151.0 million for the year ended December 31, 2019 to RMB454.5 million for the year ended December 31, 2020.

Income Tax Expenses

Our income tax expenses decreased by 79.4% from RMB66.4 million for the year ended December 31, 2019 to RMB13.7 million for the year ended December 31, 2020. Our effective tax rate decreased from 43.9% to 3.0% during the same period, primarily because (i) losses from fair value changes of convertible redeemable preferred shares for the year ended December 31, 2019 were not deductible for tax purposes, while the gains from which for the year ended December 31, 2020 were not subject to income tax and (ii) two of our profitable entities were qualified as Software Enterprises (軟件企業) and were exempted from income tax for the year ended December 31, 2020.

Profit for the Year

As a result of the foregoing, our profit increased by 420.6% from RMB84.7 million for the year ended December 31, 2019 to RMB440.8 million for the year ended December 31, 2020.

Non-IFRS Measures

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

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

	Unaudited For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**440,780**	84,663
Add:		
Fair value changes of convertible redeemable preferred shares	**(125,822)**	181,521
Share-based compensation expenses	**18,143**	9,661
Listing expenses	**27,496**	25,171
Adjusted net profit	**360,597**	301,016

Our adjusted net profit for the year increased by 19.8% from RMB301.0 million for the year ended December 31, 2019 to RMB360.6 million for the year ended December 31, 2020, primarily due to the growth of our technology-enabled business services, which had a higher profit margin as compared to one-stop payment services.

Capital Structure

Our total assets increased from RMB2,274.0 million as of December 31, 2019 to RMB5,623.4 million as of December 31, 2020. Our total liabilities decreased from RMB2,829.5 million as of December 31, 2019 to RMB2,456.5 million as of December 31, 2020. Liabilities-to-assets ratio decreased from 124.4% as of December 31, 2019 to 43.7% as of December 31, 2020.

Our current ratio, being current assets divided by current liabilities as of the respective date, increased from 1.35 as of December 31, 2019 to 2.16 as of December 31, 2020.

Liquidity, Capital Resources and Gearing

For the year ended December 31, 2020, we financed our operations primarily through cash generated from business operations, bank borrowings and capital contributions from the Shareholders. Our cash and cash equivalents increased by 476.1% from RMB441.3 million as of December 31, 2019 to RMB2,542.3 million as of December 31, 2020, primarily attributable to the net proceeds from (i) the Global Offering and the exercise of the Over-allotment Option; and (ii) the subscription for new shares of the Company under the general mandate.

Our gearing ratio, being borrowings divided by total equity and multiplied by 100%, was 6.7% as of December 31, 2020. We had net liabilities as of December 31, 2019, hence no gearing ratio is presented.

Capital Expenditures

Our capital expenditures primarily consist of payments for purchasing property, plant and equipment, intangible assets and for other non-current assets. Our total capital expenditures decreased by 63.2% from RMB105.3 million for the year ended December 31, 2019 to RMB38.7 million for the year December 31, 2020.

Indebtedness

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

	As of December 31,	
	2020	2019
	RMB'000	*RMB'000*
Non-current		
Lease liabilities	**31,723**	17,568
Current		
Bank borrowings (unsecured with guarantee)	**211,000**	116,500
Borrowings from other non-bank financial institution (unsecured with guarantee)	**–**	20,000
Lease liabilities	**23,845**	10,212
Other payables – payable to creditors	**6,582**	38,738
Total	**273,150**	203,018

Although the Pandemic has had certain impact on China's economic development, as disclosed above, as of December 31, 2020, since we had sufficient cash and cash equivalent, a sustainable capital structure, a relatively low gearing ratio, coupled with a relatively low amount of capital expenditures, we believe the Pandemic would not have material impact on our continuous operations.

Contingent Liabilities

As of December 31, 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the 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 December 31, 2020, we did not pledge any of our assets.

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 the Group's entities. We do not use any derivative contracts to hedge against our exposure to foreign exchange risk. We manage currency risks by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

Material Acquisitions or Disposals and Future Plans for Major Investments

Acquisition of 42.5% Equity Interest in Beijing Chuangxinzhong

On November 9, 2020, Yeahka HK as the purchaser, Tianjin Pinghe Management Consulting Partnership (Limited Partnership) ("**Tianjin Pinghe**") and certain other parties thereto entered into an equity transfer agreement, pursuant to which Yeahka HK has agreed to acquire 42.5% equity interest in Beijing Chuangxinzhong from Tianjin Pinghe at a total consideration of RMB170,000,000, which shall be settled in cash. Following the satisfaction of the conditions precedent and waivers (as the case may be) under the equity transfer agreement, completion of the acquisition took place on November 30, 2020.

Since the completion of the acquisition until December 31, 2020, the business performance of Beijing Chuangxinzhong remained stable. The Group's marketing platforms will integrate with the marketing services of Beijing Chuangxinzhong to create more synergy. Such integration of high-quality resources will also help both sides open up online and offline media resources and data.

For further details, please refer to the Company's announcements dated November 9, 2020 and November 30, 2020, and circular dated January 29, 2021.

Acquisition of the Entire Issued Share Capital in CHUANGXINZHONG LTD

On December 24, 2020, the Company as the purchaser, Source Winner, Bright Usening, Better One Limited, Nice Globe Limited and Summer.A Limited (collectively, the "**Vendors**"), and certain other parties thereto entered into a share purchase agreement, pursuant to which the Company has agreed to purchase, and the Vendors have agreed to sell sale shares representing the entire issued share capital of the CHUANGXINZHONG LTD, at a total consideration of RMB170,000,000. The consideration shall be settled by (i) payment of RMB15,000,000 in cash; and (ii) the allotment and issue of 4,902,718 shares of the Company (the "**Consideration Shares**") to the Vendors at the issue price of HKD37.50 per share. Completion of the acquisition is subject to satisfaction of the conditions precedent to the sale and purchase agreement including, among others, (i) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares; and (ii) the Restructuring having been completed. After the Restructuring, CHUANGXINZHONG LTD will indirectly own 42.5% equity interest in Beijing Chuangxinzhong.

In addition, as the Vendors are connected persons of the Company at the subsidiary level, the acquisition is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting of the Company has been duly convened on February 22, 2021 to approve the share purchase agreement and the transactions contemplated thereunder, and the grant of the specific mandate for the allotment and issue of the Consideration Shares.

For further details, please refer to the section headed "Directors' Report — Connected Transactions — Connected Transaction — Acquisition of the Entire Issued Share Capital in CHUANGXINZHONG LTD" in this annual report, the Company's announcements dated December 24, 2020 and December 28, 2020 and circular dated January 29, 2021.

Save as disclosed above, we did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in (i) the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus; 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

Save as disclosed in this annual report, there are no material events subsequent to December 31, 2020 which could have a material impact on our operating and financial performance as of the date of this annual report.

Employees

As of December 31, 2020, we had a total of 768 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.

USE OF PROCEEDS FROM THE LISTING

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

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 up to December 31, 2020 [1] *(In HKD millions)*	Unutilized net proceeds as of December 31, 2020 [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	67.2	272.5	By the first half of 2022
Expanding our technology-enabled business services offerings	35.0	594.6	319.5	275.1	By the first half of 2021
Enhancing our research and technology capabilities	35.0	594.6	96.0	498.6	By the second half of 2022
Working capital and general corporate purposes	10.0	169.9	75.4	94.5	By the first half of 2021
Total	100.0	1,698.8	558.1	1,140.7	-

Note:

(1) The figures in the table are approximate figures.

USE OF PROCEEDS FROM THE TOP-UP 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. As of December 31, 2020, the net proceeds from the top-up placing had not been used. As disclosed in the announcement of the Company dated December 4, 2020, the net proceeds will be applied (i) as to approximately 25.0% or HKD194.5 million for developing and enhancing marketing services which is expected to be utilized by December 31, 2021; (ii) as to approximately 25.0% or HKD194.5 million for investing in new initiatives that are highly complementary to the Company's current business which is expected to be utilized by December 31, 2021; (iii) as to approximately 15.0% or HKD116.7 million for recruiting business specialists and product managers in technology-enabled business services which is expected to be utilized by December 31, 2022; (iv) as to approximately 15.0% or HKD116.7 million for strategic alliances with, investment in or acquisitions of highly complementary business service providers, including advertising platforms and SaaS developers which is expected to be utilized by December 31, 2022; and (v) as to approximately 20.0% or HKD155.6 million for working capital and general corporate purposes which is expected to be utilized by December 31, 2022.

For further details of the top-up placing, please also refer to "Directors' Report — Rights to Acquire the Company's Securities and Equity-Linked Agreements" in this annual report.

ROUNDING

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

DIRECTORS AND SENIOR MANAGEMENT

OUR DIRECTORS

Executive Directors

Mr. Liu Yingqi (劉穎麒), aged 44, is our chairman, chief executive officer and an executive Director. He was appointed as a Director on September 8, 2011 and was re-designated as executive Director on November 4, 2019. He is responsible for formulating the overall development strategies and business plans and overseeing the management and strategic development of our Group. Mr. Liu is the chairman of the Nomination Committee and a member of the Remuneration Committee. He is also a director of Yeahka HK since October 2011, a director and the general manager of Shenzhen Yeahka since September 2013 and August 2012 respectively, the general manager of Yeahka WFOE since April 2012 and a director of Leshua Technology since July 2013.

Mr. Liu has around 21 years of experience in corporate management and information technology. Prior to joining our Group, Mr. Liu has served as the general manager of Shenzhen Tenpay Technology Company Limited (深圳市財付通科技有限公司) (currently known as Tenpay Payment Technology Co., Ltd. (財付通支付科技有限公司)), an online payment platform company founded by Tencent, from August 2006 to December 2011, during which he was employed by two Tencent group companies respectively. He has been assigned the role of general manager of the online payment department in Tencent Digital (Tianjin) Co., Ltd. (騰訊數碼(天津)有限公司) from January 2008 to December 2011 and role of general manager in Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), being responsible for supervising and managing the online payment of Tencent group companies, from May 2001 to December 2007. Mr. Liu was an engineer of Huawei Technologies Co., Ltd. (華為技術有限公司), a communication technology company, from June 2000 to April 2001.

Mr. Liu graduated from Changsha University of Science & Technology (長沙理工大學), formerly known as Changsha Communications College (長沙交通學院), with a bachelor's degree in computer application, in June 1999.

Mr. Liu was awarded Shenzhen Municipal Government local leading talents (深圳市政府地方級領軍人才) in 2009, an award which recognizes the contribution of talents from different industries.

Mr. Yao Zhijian (姚志堅), aged 40, was appointed as a Director on January 3, 2019 and was re-designated as an executive Director on November 4, 2019. He was appointed as chief financial officer of our Company on October 24, 2011 and is responsible for overseeing the financial and accounting affairs of our Group, capital and financial management and assisting the chief executive officer in organizational structure of our Group. Mr. Yao has been the chief financial officer and senior vice president of Shenzhen Yeahka since he joined our Group in October 2011 and the general manager of the finance department of Leshua Technology since October 2013, where he was responsible for the capital and financial management. He has also been a director of Yeahka HK since December 2018.

Mr. Yao has over 16 years of experience in the financial and accounting industry. Prior to joining our Group, Mr. Yao first served as an accountant and was promoted to financial officer of Shenzhen Baode Shipping Co., Ltd. (深圳市保得海運有限公司), a shipping company, from December 2004 to October 2011 with his last position being the chief financial officer. He was the tax supervisor of Walmart Business Consulting (Shenzhen) Co., Ltd. (沃爾瑪商業諮詢(深圳)有限公司), a company engaged in global retail, from January 2004 to December 2004. From August 2002 to December 2003, he served as the financial officer of Shenzhen Zhongtianyuan Industry Co., Ltd. (深圳市中天元實業有限公司), a concrete processing company.

Mr. Yao graduated from South China University of Technology (華南理工大學), with a bachelor's degree in accounting computerization, in December 2006 through self-learning. He obtained the qualification of Intermediate Accountant (中級會計師) from the Ministry of Finance of the People's Republic of China in May 2004.

Mr. Luo Xiaohui (羅小輝), aged 38, was appointed as an executive Director on August 27, 2020 with effect from August 28, 2020. He joined our Group in October 2018 and has served as the chief architect (首席架構師) of our Company and Shenzhen Yeahka since December 2018. He is responsible for overseeing our Group's technical architecture, planning and management of technology innovation, and managing the architecture committee and AI laboratory.

Mr. Luo has over 14 years of experience in the information technology sector. Prior to joining our Group, Mr. Luo was a vice president of the technology department of Shenzhen Kuiyuan Technology Co., Ltd (深圳市葵園科技有限公司), a company engaged in software and information technology services, from October 2015 to August 2018. From July 2004 to August 2014, he served various positions and was promoted to deputy director of development center of Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), an internet-based technology and cultural enterprise headquartered in Shenzhen, China.

Mr. Luo graduated from Sichuan University (四川大學) with a bachelor's degree in electronic information engineering in July 2004.

Non-executive Directors

Mr. Mathias Nicolaus Schilling, aged 48, was appointed as a Director on March 9, 2015 and re-designated as a non-executive Director on November 4, 2019. He is responsible for providing advice to the overall development of our Group. As of the Latest Practicable Date, Mr. Schilling held 47.5% of the total issued share capital in e.ventures Growth GP, LLC, the general partner of e.ventures Growth, L.P. which held approximately 1.43% of the total issued share capital in our Company.

Mr. Schilling has been a managing director of e.ventures Management VI, LLC, e.ventures Management, LLC., eVenture Capital Partners II LLC and BV Capital Management, LLC since September 2019, June 2014, September 2011 and June 2000, respectively. One of the funds under e.ventures Management, LLC. is a shareholder of our Group. He has over 19 years of experience in venture capital investment in the area of telecommunications, media and technology.

Mr. Schilling graduated from University of St. Gallen in Switzerland, with a diploma in economics and business administration in February 1998.

Mr. Akio Tanaka (田中章雄), aged 51, was appointed as a non-executive Director on August 27, 2020 with effect from August 28, 2020. He previously served as a Director for a period of approximately seven years until his resignation on August 13, 2019. He is a managing partner of Infinity Ventures Partners since February 2008. He is also the director of IVP Advisory Co., Ltd., which advises several funds including IVP Fund II A, L.P. and IVP Fund II B, L.P. (collectively, the "**IVP Funds**"), and serves as directors of businesses related to the funds' portfolio companies. As of the Latest Practicable Date, IVP Funds are investment funds with an investment portfolio of US$265 million which focuses on venture capital investments in technology companies with a primary focus in Japan and China. As of the Latest Practicable Date, Mr. Tanaka held the entire issued share capital of Growth Tree Ltd which in turn held 100% of the total issued share capital in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P., which held approximately 3.60% and 1.90%, respectively, of the total issued share capital in our Company. From December 2005 to January 2008, he served as the director of the emerging market investments at Adobe Systems Inc. From January 2002 to December 2005, he served as the chief technology officer of Macromedia Japan and also the vice president and the advisor to the chief executive officer of Macromedia Inc. Mr. Tanaka has over 26 years of experience in venture investment, international business development and information technology.

Mr. Tanaka graduated from the University of British Columbia, with a bachelor's degree and a master's degree in Geography, in May 1992 and November 1994, respectively.

Independent Non-executive Directors

Mr. Tam Bing Chung Benson (譚秉忠), aged 57, was appointed as an independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Tam is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Tam has been a director of Podinn Hotel Zhejiang Co., Ltd (布丁酒店浙江股份有限公司), a hotel management company listed on National Equities Exchange and Quotations (NEEQ: 839121), since September 2019. He is also an independent non-executive director of Longhui International Holdings Limited (龍輝國際控股有限公司) (stock code: 1007.HK), a China-based company principally engaged in catering business, since March 1, 2019. He has also been an independent director of Momo Inc. (ticker symbol: MOMO), the shares of which are listed on NASDAQ, since December 2014. Mr. Tam is the chairman of Venturous Group, a China-based family investment platform since May 2013. He was a partner of Fidelity Growth Partners Asia (formerly known as Fidelity Asia Ventures), a venture capital firm, from February 2002 to February 2012.

Mr. Tam obtained a master's degree in science from University of Oxford in July 1986 and a bachelor's degree in science (engineering) in civil engineering from Imperial College of Science and Technology of the University of London in August 1984.

Mr. Tam is a member of The Institute of Chartered Accountants in England and Wales since September 1989.

Mr. Yao Wei (姚衛), aged 44, was appointed as an independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Yao is the chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee. Mr. Yao has over 16 years of management experience in technology industry. Mr. Yao has been appointed as the legal representative of Guangzhou Aiwei Technology Development Co., Ltd. (廣州艾威科技發展有限公司), a research and development company, since March 2020. He has also been one of the partners and subsequently served as the deputy general manager of Evertech Technology Limited (廣州艾威儀器科技有限公司), a solution-provider of precision equipment and software based in South China region, since February 2013. From April 2010 to February 2013, Mr. Yao was the South China Regional Manager of GE (China) Co., Ltd. Analysis Instrument (通用電氣(中國)有限公司). He has also served as the South China Regional Manager of Varian Technology China Limited Guangzhou representative office (美國瓦里安技術中國有限公司廣州代表處) from July 2006 to April 2010. Mr. Yao was the sales manager (South China region) of Southeast Chemical Instrument Ltd (東南化學儀器有限公司), an analytical instrument supplier, from September 2002 to July 2006.

Mr. Yao graduated from Nanjing University (南京大學) with a bachelor's degree in science (chemistry) in July 1999. He further obtained a master's degree in science (organic chemistry) from Sun Yat-Sen University (中山大學) in July 2002.

Mr. Yang Tao (楊濤), aged 47, was appointed as an independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Yang is a member of the Audit Committee.

Mr. Yang was the independent non-executive director of Ping An Securities Group (Holdings) Limited (stock code: 231.HK), a company listed in Hong Kong and principally engaged in the provision of securities dealing and financial services, from February 2018 to November 2019. He is also the independent non-executive director of Bank of Jiujiang Co., Ltd (stock code: 6190.HK), a China-based commercial bank principally engaged in providing financial services to small and micro enterprises, individual business owners and the general public, since August 2017. Mr. Yang is a Ph.D. mentor of Chinese Academy of Social Sciences (中國社會科學院) ("**CASS**") since November 2014, and is also currently a director of the Research Centre for Payments and Settlements under CASS, responsible for research and development of payment supervision, organization, products and technology. He has been a researcher in the Institute of Finance, CASS since August 2003, focusing on research areas such as macro-economic policies, financial markets, financial technology and payment settlement.

Mr. Yang graduated from Nanjing University of Science and Technology (南京理工大學) with a bachelor's degree in engineering (major in industrial foreign trade) in 1995. He further obtained a master's degree in economics from the Research Institute for Fiscal Science (currently known as the Chinese Academy of Fiscal Sciences (中國財政科學研究院)) in July 2000 and a Ph.D. in economics from the graduate school of CASS in July 2003.

Mr. Yang has been a qualified and registered lawyer and a certified public accountant in the PRC since March 2000 and December 2002 respectively.

SENIOR MANAGEMENT

Mr. Liu Yingqi (劉穎麒), aged 44, is our chief executive officer. See the paragraph headed "Executive Directors" for his biography.

Mr. Yao Zhijian (姚志堅), aged 40, is our chief financial officer. See the paragraph headed "Executive Directors" for his biography.

Mr. Luo Xiaohui (羅小輝), aged 38, is our chief architect (首席架構師). See the paragraph headed "Executive Directors" for his biography.

Mr. Wu Gang (吳剛), aged 39, was appointed as our deputy general manager and general manager of policy development department in April 2016 and is primarily responsible for overseeing the management of the policy development department and general corporate governance and compliance matters.

Mr. Wu joined our Group as vice president of Leshua Technology in April 2016 and was promoted to general manager in April 2018. Prior to joining our Group, Mr. Wu worked in Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司) for 11 years. He first served in the bank strategy group and business development group in Tencent Technology Co., Ltd. (騰訊科技有限公司), from August 2006 to June 2007. From June 2007 to March 2016, he served in financial cooperation centre, Beijing cooperation center, policy finance group and Beijing regulatory group, and was then promoted and held the senior consultant position for payment platform and financial application from April 2016 to November 2018 in Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司).

Company Secretary

Ms. Mak Po Man Cherie (麥寶文), has been appointed as our company secretary with effect from the Listing. Ms. Mak is the Vice President of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 16 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. Mak obtained a Master of Corporate Governance degree from The Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003, and a fellow member of the Association of Chartered Certified Accountants in 2006.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group, for the year ended December 31, 2020.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on September 8, 2011 as an exempted company with limited liability under the Companies Law. The Shares were listed on the Main Board of the Stock Exchange on June 1, 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in providing payment services and business services to merchants and consumers in the PRC. Details of the principal activities of the principal subsidiaries are set out in note 1.2 to the consolidated financial statements.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended December 31, 2020 is set out in the chapter headed "Chairman's Statement" from pages 6 to 9 and "Management Discussion and Analysis" from pages 10 to 29 of this annual report. A description of the Group's future development is set out in the chapter headed "Chairman's Statement" from pages 6 to 9 of this annual report.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Year on year
	2020	2019	Change
	RMB' 000	*RMB' 000*	*(%)*
Revenue	**2,292,903**	2,258,019	1.5
– One-stop payment services	**1,829,409**	2,081,051	-12.1
– Technology-enabled business services	**463,494**	176,968	161.9
– Merchant SaaS products	**29,912**	14,991	99.5
– Marketing services	**364,886**	109,225	234.1
– Fintech services	**68,696**	52,752	30.2
Gross profit	**743,679**	647,035	14.9
Gross margin	**32.4%**	28.7%	3.7[1]
Profit for the Year	**440,780**	84,663	420.6
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic	**1.45**	0.46	
– Diluted	**0.87**	0.39	

Note:

(1) Percentage points.

Our profit for the year increased by 420.6% from RMB84.7 million for the year ended December 31, 2019 to RMB440.8 million for the year ended December 31, 2020, primarily due to the growth of our technology-enabled business services and the gains from fair value changes of convertible redeemable preferred shares.

Revenue from our one-stop payment services decreased by 12.1% from RMB2,081.1 million for the year ended December 31, 2019 to RMB1,829.4 million for the year ended December 31, 2020, primarily due to (i) the decrease in the total GPV we processed by 2.7% from RMB1,500.3 billion for the year ended December 31, 2019 to RMB1,459.6 billion for the year ended December 31, 2020 as a result of the Pandemic, which posed a degree of adverse impact to consumption in China, and hence demand for our payment services; and (ii) the decrease in average fee rate from 13.9 bps for the year ended December 31, 2019 to 12.5 bps for the year ended December 31, 2020.

Revenue from our technology-enabled business services increased by 161.9% from RMB177.0 million for the year ended December 31, 2019 to RMB463.5 million for the year ended December 31, 2020 as a result of the rapid growth in revenue from all types of our technology – enabled business services.

KEY RELATIONSHIPS

Relationship with Suppliers and Business Partners

Our suppliers and business partners include (i) payment terminal manufacturers, which supply us with payment terminals and accessories, (ii) UnionPay and NetsUnion, which primarily provide us with clearing and switch services and access to payment gateways, as well as (iii) financial institutions which primarily provide us with access to their payment gateways and collaborate with us to provide fintech services. Our five largest suppliers accounted for 16.5% of our total cost of sales for the year ended December 31, 2020.

As of the Latest Practicable Date, none of our Directors, their close associates or any of our shareholders (which to the knowledge of the Directors owned more than 5% of the number of issued shares of the Company) had any interest in any of our five largest suppliers.

Relationship with Customers

Leveraging our technology platform, we connect merchants and consumers in a diverse set of industries including retail, wholesale, and food and beverage industry. We consider both merchants and consumers essential components of our customer base. Typically, customers for our payment services and merchant SaaS products comprise merchants; customers for our marketing services and fintech services comprise merchants, consumers, financial institutions and merchant service providers. We primarily serve micro and small merchants from a wide range of industries across China. For the year ended December 31, 2020, the number of active payment service merchants[Note] was 5.5 million. Our five largest customers together accounted for 11.9% of our total revenue for the year ended December 31, 2020.

As of the Latest Practicable Date, none of our Directors, their close associates or any of our shareholders (which to the knowledge of the Directors owned more than 5% of the number of issued shares of the Company) had any interest in any of our five largest customers.

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

Overlapping customer and supplier

UnionPay also uses our marketing services for the promotion of Mobile Quickpass. We incur minimal incremental costs in providing these marketing services.

Relationship with Employees

Our success depends on our ability to attract, retain and motivate qualified personnel. We primarily recruit our employees through campus recruitment, recruitment agencies, and online channels. As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based bonuses and certain other incentives. We have adopted a robust training program, pursuant to which employees regularly receive trainings on areas including technology, regulation and management from internal or external speakers. We offer ongoing in-house training for different levels of employees, tailored to their roles and skill levels. We believe our training culture has contributed to our ability to recruit and retain qualified employees. We have established a dual-track career path that separately assesses managerial and technical talents, enhancing opportunities for personal development and career advancement. We engage external human resources business partners to enhance communication with, and provide counselling to new recruits and key employees. As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We also purchase commercial health and accidental insurance for our employees. We believe that we maintain a good working relationship with our employees and we did not experience any labor strikes or other material labor disputes that affected our operations for the year ended December 31, 2020.

We have also adopted the RSU Scheme and the Share Option Scheme to incentivize qualified directors, senior management and employees to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group, details of which are set out in the section headed "Restricted Share Unit Scheme and Share Option Scheme" in this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such will be set out in the Environmental, Social and Governance Report to be published no later than three months after the publication of this annual report.

LICENCES, REGULATORY APPROVALS AND COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended December 31, 2020, there were no material breaches or violations of relevant laws and regulations in China, where the Group has business entities and operations, and the Group obtained all requisite licenses, approvals and permits from relevant authorities that are material to the Group's operations in China. Details of our compliance with relevant laws and regulations will be set out in the Environmental, Social and Governance Report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operation of the Group, and principal risks and uncertainties that the Group faces and key mitigations that the Group adopts are summarized as follows:

Principal Risks and Uncertainties	Description	Key Mitigations
Uncertainty to develop products and services which can address the rapidly evolving market for one-stop payment services and technology-enabled business services	We expect that new products, services and technologies applicable to the industries in which we operate will continue to emerge and evolve. Rapid and significant technological changes continue to shape such industries, including developments in ecommerce, mobile commerce, and proximity payment devices. Other potential changes, such as developments in big data analytics and artificial intelligence, are on the horizon as well. Similarly, there is rapid innovation in the products and services to facilitate business operations, including technology-enabled business services. These new products, services and technologies may be superior to, impair, or render obsolete the products and services we currently offer, or the technologies we currently use to provide them.	We continue to invest in research and development in areas including artificial intelligence and big data analytics in order to ensure the competitiveness of our products and services and to develop innovative and high-tech products. Leveraging our nationwide merchant network, we are able to gain insights into merchants' needs in a timely and efficient manner enabling our research and development team to develop and optimize products and services which cater for the needs of merchants and adapt to market changes.

Principal Risks and Uncertainties	Description	Key Mitigations
Risks related to significant disruption in service on our platform, malfunctions of our technology systems, errors and quality issues in our software, hardware, and systems, or human errors in operating these systems	Our business is dependent on the ability of our information technology systems to stably and timely process a large amount of information and transactions. Our operations depend on the ability of the host of our system hardware to protect its and our systems in its facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or criminal acts. Our software, hardware, and systems may contain undetected errors, that could have a material adverse impact on our business, particularly where such errors are not timely detected and remedied. Any errors, defects, disruptions in services, or other performance problems with our services could hurt our reputation and damage our customers' businesses.	We have set up security systems and measures including firewall, intrusion prevention system, bastion host and vulnerability scanning which monitor and control incoming and outgoing traffic, identify weaknesses in our information technology systems and withstand attacks to our information technology systems. We also regularly conduct security scanning, penetration tests and bug fixing on our systems to prevent information security threats. For the operations of our core servers and databases, we adopt "double-review" (雙人復核) approach in order to prevent malicious operations by an employee. Our employees are only authorized to access servers and systems to the extent which is necessary for performing their job duties.

Principal Risks and Uncertainties	Description	Key Mitigations
Risks related to reliance on business partners	Our payment and business services rely on technologies, services and infrastructure offered by third parties that we do not control, such as payment networks, commercial banks, trust companies, insurance companies and telecommunication operators. We rely on them for a variety of services, including transmitting transaction data, processing chargebacks and refunds, facilitating same-day or settlement service and providing value-added services. Our IT systems and various interfaces also utilize or are connected to the platforms, infrastructures and technologies of these third parties. If they fail to provide services adequately, including as a result of system errors, human errors or events beyond their control, or they refuse to provide these services on terms acceptable to us or at all, and we are not able to find suitable alternatives, our business may be materially and adversely affected.	We receive real-time alerts for any malfunctions in and interruptions to our operations and have developed contingency plans for situations in which malfunctions in or interruptions to our operations are caused by failure in the technologies, services or infrastructure provided by our business partners. For instance, we maintain two server rooms with one being the backup. As the server rooms adopt three routing connections provided by two different operators, in the event that any of the routing connections is interrupted, the servers can still connect properly without compromising our services. In addition, for servers we rent from third parties, as we have a master database server together with three associated counterparts, where the master database server experiences malfunctions or interruptions, one of the three associated counterparts will take over automatically as the master database server, thereby effectively minimizing the negative impact arising from failure of the master database server on our business. We maintain close contact with our business partners and will communicate with them in a timely manner in situations where malfunctions in or interruptions to our operations are caused by them so as to devise a risk response plan to minimize disruption.

Principal Risks and Uncertainties	Description	Key Mitigations
Risks relating to fraudulent and fictitious transactions, and misconduct committed by our employees, customers, distribution channels and other third parties	Offering payment services to a large number of customers, we may be subject to liability for fraudulent payment transactions by customers, in particular, fraudulent chargeback and use of counterfeit cards. Fraud or other misconduct committed by our employees, customers, distribution channels or other third parties may be difficult to detect or prevent and could subject us to financial losses and regulatory sanctions as well as seriously damage our reputation. Fraudulent activities have become increasingly sophisticated. Failure to effectively identify and address these risks could lead to losses, regulatory penalties or even regulatory restrictions to our business operations, which will adversely affect our business, financial condition, and results of operations.	We maintain an anti-fraud system which automatically monitors merchants through multiple dimensions to evaluate fraud risks and minimize fraud exposure. We also adopt a professional anti-money laundering system which continuously monitors and identifies merchants with respect to customer ratings, suspicious transactions, large-sum transactions, and the like. We provide our employees with regular trainings on anti-money laundering, fraudulent and fictitious transactions and misconduct in order to enhance their understanding and awareness on these issues.

SUBSEQUENT EVENT

Particulars of important events affecting the Group that have occurred since the year ended December 31, 2020 are stated in note 40 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended December 31, 2020 and the state of the Group's financial position as at that date are set out in the consolidated financial statements from pages 97 to 216 of this annual report.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020.

Distributable Reserves

As of December 31, 2020, the Company did not have any distributable reserves.

Reserves

Changes to the reserves of the Group during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity in this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2020 are set out in note 15 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended December 31, 2020 are set out in note 23 to the consolidated financial statements in this annual report.

Bank Borrowings and other Loans

Details of bank borrowings and other loans of the Group as at December 31, 2020 are set out in note 29 to the consolidated financial statements of this annual report.

Pledge of Assets

As of December 31, 2020, we did not pledge any of our assets.

Donation

Donations made by the Group during the year ended December 31, 2020 was HKD1 million.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2020, except for the Global Offering and the exercise of the Over-allotment Option and save for the disclosure in the section headed "Rights to Acquire the Company's Securities and Equity-linked Agreements" in this directors' report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

RESTRICTED SHARE UNIT SCHEME AND SHARE OPTION SCHEME

Restricted Share Unit Scheme

On August 1, 2019, the RSU Scheme was approved and adopted by the Board. As part of the Reorganization and for the convenience of the governance of the Company, the Company adopted the RSU Scheme to replace the Pre-IPO Stock Incentive Scheme such that all the options granted under the Pre-IPO Stock Incentive Scheme are converted to RSUs. The Pre-IPO Stock Incentive Scheme has been terminated. Further details of the Reorganization and the conversion of share options to RSUs are set out in the Prospectus. The purpose of the RSU Scheme is to incentivize Directors (excluding independent non-executive Directors), senior management and other selected personnel for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

A RSU gives the RSU Participant a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion. Each RSU represents one underlying Share. A RSU may include, if so specified by the Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being August 1, 2019 (unless it is terminated earlier in accordance with its terms), after which no further RSUs shall be granted or accepted, but the provisions of the RSU Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the period of the RSU Scheme. As of December 31, 2020, the remaining life of the RSU Scheme is approximately eight years and seven months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the purpose of the RSU Scheme from time to time. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

An Eligible Person selected by the Board to be granted RSUs under the RSU Scheme may accept the RSUs in such manner set out in the grant letter. The grant letter shall also set out the vesting criteria, conditions, and the time schedule when the RSUs will vest. RSUs held by a RSU Participant that are vested as evidenced by the vesting notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to the Company. Any exercise of RSUs must be in respect of a board lot of 400 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, the Board shall direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which the Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs.

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by the Board in its entire discretion in the RSU grant letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

The Company has appointed TMF Trust (HK) Limited as the RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme were allotted and issued to RSU Nominee 1 and RSU Nominee 2, each of which being a company wholly-owned by the RSU Trustee. As of December 31, 2020, RSUs in respect of 37,633,384 underlying Shares have been granted under the RSU Scheme for the benefit of Eligible Persons pursuant to the RSU Scheme, and RSUs in respect of an aggregate of 4,143,000 underlying Shares, representing approximately 0.93% of the total number of issued Shares as of the date of this annual report, have not been exercised, lapsed or cancelled and remain to be held by RSU Nominee 1 and RSU Nominee 2. The grantees of the RSUs granted under the RSU Scheme as referred to in the table below are not required to pay for the grant of any RSU under the RSU Scheme.

Details of the RSUs granted under the RSU Scheme at the beginning and end of, and movements in the RSUs during, the year ended December 31, 2020 are set out below:

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs as at 1 January, 2020	Date of grant	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Shares represented by RSUs as at December 31, 2020[1]	Exercise price (US$)
Directors of the Company									
Zhou Lingli[2]	Chief strategy officer and executive director of the Company, chief strategy officer of Shenzhen Yeahka and senior vice president of Leshua Technology	1,892,869	February 1, 2016	-	7,571,476	-	-	-	0.000025
Yao Zhijian	Chief financial officer and executive director of the Company, chief financial officer and senior vice president of Shenzhen Yeahka and general manager of the finance department of Leshua Technology	648,648	January 1, 2013	-	2,594,592	-	-	-	0.000025
Luo Xiaohui[3]	Executive director of the Company, and chief architect of the Company and Shenzhen Yeahka	500,000	January 1, 2018	-	1,000,000	-	-	1,000,000	1.060025

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs as at 1 January, 2020	Date of grant	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Shares represented by RSUs as at December 31, 2020[1]	Exercise price (US$)
Other connected persons of the Group									
Wang Guangui	Director and general manager of Shenzhen Feiquan	566,479	February 1, 2016	-	2,265,916	-	-	-	0.000025
Ren Yangbin	Executive director of Shenzhen Feiquan	50,000	February 1, 2016	-	200,000	-	-	-	0.000025
		20,000	August 1, 2019	-	20,000	-	-	60,000	1.615625
Wu Gang	Deputy general manager and general manager of policy development department of the Company, general manager of Leshua Technology	600,000	January 1, 2017	-	2,400,000	-	-	-	0.000025
Other employees of the Group									
79 other employees of the Group		5,130,350	January 1, 2013, February 1, 2016, January 1, 2017, January 1, 2018 and August 1, 2019	-	17,198,400	240,000	-	3,083,000	0.000025, 0.000025, 0.000025, 1.060025, 1.615625
Total		9,408,346		-	33,250,384	240,000	-	4,143,000	

Notes:

(1) The Share Subdivision, under which each then existing issued and unissued share of par value of US$0.0001 in the then share capital of the Company was subdivided into four shares of par value of US$0.000025 each, was completed immediately before the Listing on June 1, 2020.

(2) Ms. Zhou Lingli resigned as the chief strategy officer and executive director of the Company, the chief strategy officer of Shenzhen Yeahka and senior vice president of Leshua Technology with effect from March 4, 2021.

(3) Mr. Luo Xiaohui has been appointed as an executive Director with effect from August 28, 2020.

Details of movements in the RSUs under the RSU Scheme are also set out in note 32 to the consolidated financial statements. The RSU Participants shall serve the exercise notice within three (3) months after receiving the vesting notice.

The share options (which have been converted into RSUs) granted on January 1, 2013 and January 1, 2017 were vested on the date ending 1 year after the date of grant. The share options (which have been converted into RSUs) granted on February 1, 2016 were vested on the date ending 11 months after the date of grant. The share options (which have been converted into RSUs) granted on January 1, 2018 were to be vested evenly within a 4-year period from vesting commencement. Subject to the vesting conditions, the RSUs granted to the RSU Participants granted on August 1, 2019 under the RSU Scheme are vested in accordance with the vesting schedule as follows:

(i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs;

(ii) as to 25% of the RSUs on the date ending 24 months after the date of grant of the RSUs;

(iii) as to 25% of the RSUs ending 36 months after the date of grant of the RSUs; and

(iv) as to 25% of the RSUs ending 48 months after the date of grant of the RSUs.

Share Option Scheme

The Share Option Scheme was adopted at the extraordinary general meeting of the Company held on October 13, 2020. A summary of the Share Option Scheme is as follows:

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 will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company's corporate culture.

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of ten years after October 13, 2020 to grant options to any participants as the Board may in its absolute discretion select. As at December 31, 2020, the remaining life of the Share Option Scheme was approximately nine years and nine and a half months. No offer shall be made and no option shall be granted to any participants in circumstances prohibited by the Listing Rules at a time when the participants would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period; and (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules, and ending on the date of actual publication of such results announcement.

The participants of the Share Option Scheme include any Director or employee or officers of any member of the Group, who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes adopted by the Company shall not exceed 10% of the aggregate of the Shares in issue on October 13, 2020, i.e. 42,620,507 Shares, (the "**Scheme Mandate Limit**") unless Shareholders' approval has been obtained. Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit.

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted to each participant (including both exercised, cancelled and outstanding share options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period is limited to 1% of the Shares in issue, unless otherwise separately approved by Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

The offer of a grant of share options may be accepted within 28 days from the date of offer. Upon acceptance of the share options, a nominal consideration of HKD1.00 is payable for the grant of options and such payment shall not be refundable. Subject to such terms and conditions as the Board may determine, there is no minimum period for which a share option must be held before it can be exercised and no performance target need to be achieved by a grantee before the share options can be exercised.

Subject to the terms of grant of any option, an option may be exercised by the grantee of the option at any time during the option period and in accordance with the vesting schedule and other terms specified in the offer. No option may be vested more than ten years after the date of the offer made. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on October 13, 2020.

The exercise price shall be at a price determined by the Board at its absolute discretion and shall be at least the highest of (i) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share on the date of offer.

Further details of the principal terms of the Share Option Scheme are set out in circular of the Company dated September 24, 2020.

As at December 31, 2020, no option had been granted or agreed to be granted, and thus no options had been exercised, cancelled or lapsed under the Share Option Scheme. As a result, the total number of Shares available for grant under the Share Option Scheme was 42,620,507, representing 10% of the total Shares in issue as at October 13, 2020, the adoption date of the Share Option Scheme, and representing 9.53% of the total Shares in issue as at the date of this annual report.

DIRECTORS

The Directors during the year ended December 31, 2020 and up to the date of this annual report were:

Name	Position/Title
Liu Yingqi (劉穎麒)	Executive Director, chief executive officer and chairman of the Board
Zhou Lingli (周伶俐) (resigned with effect from March 4, 2021)	Executive Director and chief strategy officer
Yao Zhijian (姚志堅)	Executive Director and chief financial officer
Luo Xiaohui (羅小輝) (appointed with effect from August 28, 2020)	Executive Director and chief architect
Mathias Nicolaus Schilling	Non-executive Director
Hirofumi Ono (小野裕史) (resigned with effect from August 28, 2020)	Non-executive Director
Akio Tanaka (田中章雄) (appointed with effect from August 28, 2020)	Non-executive Director
Tam Bing Chung Benson (譚秉忠)	Independent non-executive Director
Yao Wei (姚衛)	Independent non-executive Director
Yang Tao (楊濤)	Independent non-executive Director

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Luo Xiaohui, Mr. Akio Tanaka, Mr. Tam Bing Chung Benson, Mr. Yao Wei and Mr. Yang Tao will retire from office at the AGM and, being eligible, offer themselves for re-election.

Pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. Accordingly, Mr. Liu Yingqi, Mr. Yao Zhijian and Mr. Mathias Nicolaus Schilling will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

The biographical details of the Directors and senior management of the Company as at the Latest Practicable Date are set out in the chapter headed "Directors and Senior Management" in this annual report.

Directors' Service Contracts and Letters of Appointment

Apart from Mr. Luo Xiaohui who entered into a service contract with our Company on August 27, 2020, each of our executive Directors has entered into a service contract with our Company on April 30, 2020. Save for Mr. Akio Tanaka to whom we issued letter of appointment on August 27, 2020, we have issued letters of appointment to each of our non-executive Director and each of our independent non-executive Directors on April 30, 2020. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors and each of our independent non-executive Directors are for an initial fixed term of three years commencing from the date of the respective service contracts or letters of appointment. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms.

The service contracts may be renewed in accordance with the Articles of Association and the applicable Listing Rules. None of our Directors proposed for re-election at the AGM has a service contract with members of our Group that is not determinable by our Group within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. Tam Bing Chung Benson, Mr. Yao Wei and Mr. Yang Tao), and the Company considers such Directors to be independent for the year ended December 31, 2020.

Directors' and Controlling Shareholders' Interests in Transactions, Arrangements or Contracts of Significance

Save for the Contractual Arrangements, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, and there was no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of their subsidiaries, subsisted at the end of, or at any time during the year ended December 31, 2020.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at December 31, 2020, the interests and short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests of Directors and Chief Executives in the Shares of the Company

Name of Director/chief executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding (%)
Mr. Liu Yingqi (Note 2)	Founder of a discretionary trust	165,710,764	37.07
Mr. Yao Zhijian	Beneficial owner	2,594,579	0.58
Ms. Zhou Lingli (Note 3)	Beneficial owner	7,571,438	1.69
Mr. Luo Xiaohui	Beneficial owner	1,785,478	0.40
Mr. Mathias Nicolaus Schilling (Note 4)	Interest in controlled corporation	6,371,972	1.43
Mr. Akio Tanaka (Note 5)	Interest in controlled corporation	24,556,032	5.49

Notes:

1. All interests stated are long positions.

2. Creative Brocade International is owned as to (i) 99.9% by Brocade Creation Investment Limited, which is wholly-owned by Brocade Creation Limited, the holding vehicle used by Credit Suisse Trust Limited (the trustee of the Brocade Creation Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu Yingqi. The Brocade Creation Trust is a discretionary trust established by Mr. Liu Yingqi (as the settlor) and the discretionary beneficiary is Mr. Liu Yingqi. Therefore, each of Mr. Liu Yingqi, Credit Suisse Trust Limited, Brocade Creation Limited and Brocade Creation Investment Limited is deemed under the SFO to be interested in the 165,710,764 Shares held by Creative Brocade International.

3. Ms. Zhou resigned as an executive Director and our chief strategy officer with effect from March 4, 2021.

4. Mr. Schilling held 47.5% of the total issued share capital in e.ventures Growth GP, LLC, the general partner of e.ventures Growth, L.P. which held 6,371,972 Shares. Therefore, each of Mr. Schilling and e.ventures Growth GP, LLC is deemed under the SFO to be interested in the 6,371,972 Shares held by e.ventures Growth, L.P.

5. Each of IVP Fund II A, L.P. and IVP Fund II B, L.P. held 16,085,284 Shares and 8,470,748 Shares, respectively. Mr. Akio Tanaka held the entire issued share capital of Growth Tree Ltd which in turn held 100% of the total issued share capital in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P. Therefore, each of Growth Tree Ltd and Mr. Akio Tanaka is deemed under the SFO to be interested in the 16,085,284 Shares and 8,470,748 Shares held by IVP Fund II A, L.P. and IVP Fund II B, L.P., respectively.

6. The total number of ordinary shares of the Company in issue as at December 31, 2020 is 447,000,124.

Interests of Directors and Chief Executives in the Company's Associated Corporations

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest	Registered Capital (RMB)	Approximate percentage of shareholding (%)
Mr. Liu Yingqi	Shenzhen Yeahka	Beneficial owner	198,545,266	99.27

Save as disclosed above, as at December 31, 2020, no Directors or chief executives of the Company had or was deemed to have an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at December 31, 2020, to the best knowledge of the Directors, the following persons, other than Directors and chief executives of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding (%)
Creative Brocade International Limited (Note 2)	Beneficial owner	165,710,764	37.07
Brocade Creation Investment Limited (Note 2)	Interest in controlled corporation	165,710,764	37.07
Brocade Creation Limited (Note 2)	Interest in controlled corporation	165,710,764	37.07
Credit Suisse Trust Limited (Note 2)	Trustee of a trust	165,710,764	37.07
Ms. Luo Haiying (Note 3)	Interest of spouse	165,710,764	37.07
Growth Tree Ltd (Note 4)	Interest in controlled corporation	24,556,032	5.49
Recruit Holdings Co., Ltd	Beneficial Owner	39,051,196	8.74
The Capital Group Companies, Inc. (Note 5)	Interest in controlled corporation	23,832,000	5.33

Notes:

1. All interests stated are long positions.

2. Creative Brocade International is owned as to (i) 99.9% by Brocade Creation Investment Limited, which is wholly-owned by Brocade Creation Limited, the holding vehicle used by Credit Suisse Trust Limited (the trustee of the Brocade Creation Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu Yingqi. The Brocade Creation Trust is a discretionary trust established by Mr. Liu Yingqi (as the settlor) and the discretionary beneficiary is Mr. Liu Yingqi. Therefore, each of Mr. Liu Yingqi, Credit Suisse Trust Limited, Brocade Creation Limited and Brocade Creation Investment Limited is deemed under the SFO to be interested in the 165,710,764 Shares held by Creative Brocade International.

3. Ms. Luo Haiying, the spouse of Mr. Liu Yingqi, is deemed under the SFO to be interested in the 165,710,764 Shares in which Mr. Liu Yingqi is deemed to be interested.

4. Each of IVP Fund II A, L.P. and IVP Fund II B, L.P. held 16,085,284 Shares and 8,470,748 Shares, respectively. Mr. Akio Tanaka held the entire issued share capital of Growth Tree Ltd which in turn held 100% of the total issued share capital in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P. Therefore, each of Growth Tree Ltd and Mr. Akio Tanaka is deemed under the SFO to be interested in the 16,085,284 Shares and 8,470,748 Shares held by IVP Fund II A, L.P. and IVP Fund II B, L.P., respectively.

5. Each of Capital Research and Management Company, Capital International Sàrl and Capital International, Inc. held 16,426,600 Shares, 961,800 Shares and 6,443,600 Shares, respectively. Capital Research and Management Company, which was wholly-owned by The Capital Group Companies, Inc., held 100% equity interest in Capital Group International, Inc. while Capital Group International, Inc. held 100% equity interest in Capital International Sàrl and Capital International, Inc. Therefore, The Capital Group Companies, Inc. is deemed under the SFO to be interested in the 16,426,600 Shares, 961,800 Shares and 6,443,600 Shares held by Capital Research and Management Company, Capital International Sàrl and Capital International, Inc., respectively.

6. The total number of ordinary shares of the Company in issue as at December 31, 2020 is 447,000,124.

Save as disclosed above, as at December 31, 2020, to the best knowledge of the Directors, no other persons (not being Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2020.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

EMOLUMENT POLICY

Our Directors believe that the ability to attract, motivate and retain a sufficient number of qualified employees is of significant importance to the long-term successful development of our Group. We participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We purchase commercial health and accidental insurance for our employees. We have also adopted the RSU Scheme and Share Option Scheme, details of both schemes are set out under the section headed "Restricted Share Unit Scheme and Share Option Scheme" in this directors' report. Our Group has established a remuneration committee to review the policy and structure of the remuneration for our Directors and senior management and make recommendations on the remuneration packages of individual executive Directors and senior management. In general, our Group determines the emolument payable to our Directors based on each Director's time commitment and responsibilities, salaries paid by comparable companies as well as the employment conditions elsewhere in our Group.

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in note 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration (excluding equity-settled share expenses) of the senior management (including members of senior management who are also executive Directors) by band for the year ended December 31, 2020 is set out below:

Band	Remuneration	Number of senior management
1	RMB1,000,001 to RMB1,500,000	2[(1)]
2	RMB1,500,001 to RMB2,000,000	1[(2)]
3	RMB2,000,001 to RMB2,500,000	2[(3)]

Notes:

1. Band 1 includes one executive Director and one senior management member of the Company.

2. Band 2 includes one executive Director.

3. Band 3 includes two executive Directors.

PUBLIC FLOAT

As at the Latest Practicable Date and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained minimum public float of 25% as required under the Listing Rules.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

On December 24, 2020, the Company as the purchaser, Source Winner, Bright Usening, Better One Limited, Nice Globe Limited and Summer.A Limited (collectively, the "**Vendors**"), and certain other parties thereto entered into a share purchase agreement, pursuant to which the Company has agreed to purchase, and the Vendors have agreed to sell, sale shares representing the entire issued share capital of the CHUANGXINZHONG LTD (a limited liability company incorporated in the BVI), at a total consideration of RMB170,000,000. The consideration shall be settled by (i) payment of RMB15,000,000 in cash and (ii) the allotment and issue of 4,902,718 shares of the Company (the "**Consideration Shares**") to the Vendors at the issue price of HKD37.50 per Consideration Share. The acquisition has not been completed and the Consideration Shares have not been issued as at the Latest Practicable Date.

For further details, please refer to the section headed "Connected Transactions — Connected Transaction — Acquisition of the Entire Issued Share Capital in CHUANGXINZHONG LTD" in this directors' report and the Company's announcements dated December 24, 2020 and December 28, 2020 and circular dated January 29, 2021.

On December 4, 2020, the Company entered into a placing and subscription agreement with Creative Brocade International and three placing agents, pursuant to which, (i) Creative Brocade International agreed to sell and each placing agent severally (not jointly nor jointly and severally) agreed to procure on a best effort basis purchasers to purchase 20,795,052 Shares (the "**Placing Shares**") held by Creative Brocade International at a price of HKD37.88 per Placing Share (the "**Placing Price**") (the "**Placing**"); and (ii) Creative Brocade International conditionally agreed to subscribe, and the Company conditionally agreed to issue, 20,795,052 Shares (the "**Subscription Shares**") at a price of HKD37.88 per Subscription Share (the "**Subscription**").

The Company had been informed by Longwood Capital Limited, a shareholder of the Company, that on December 4, 2020, Longwood Capital Limited entered into a block trade agreement with the three placing agents, pursuant to which Longwood Capital Limited agreed to sell, and each placing agent severally (not jointly nor jointly and severally) agreed, as agent of the Longwood Capital Limited, to procure on a best effort basis purchasers to purchase a total of 3,804,948 sale Shares at a price of HKD37.88 per sale Share, which is equivalent to the Placing Price (the "**Sale**").

The Placing Price of HKD37.88 represents: (1) a discount of approximately 8.83% to the closing price of HKD41.55 per Share as quoted on the Stock Exchange on December 3, 2020; (2) a discount of approximately 6.81% to the average closing price of approximately HKD40.65 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including December 3, 2020; and (3) a discount of approximately 5.91% to the average closing price of approximately HKD40.26 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including December 3, 2020. The Placing Price of HKD37.88 was arrived at after arm's length negotiations among the Company, Creative Brocade International and the placing agents with reference to the market condition and the recent closing prices per Share.

The Placing and the Subscription were undertaken to supplement our Group's long-term funding of our expansion plan and growth strategies. The Directors considered that the Placing and the Subscription will also provide an opportunity to raise further capital for our Company whilst broadening the shareholder base and the capital base of our Company.

The closing of the Placing is conditional upon (i) the customary termination events as set out in the placing and subscription agreement not having occurred before the closing of the Placing; (ii) the representations and warranties made by any of our Company and Creative Brocade International pursuant to the placing and subscription agreement being true and accurate and not misleading as of the date of the placing and subscription agreement and the closing date of the Placing; (iii) each of our Company and Creative Brocade International having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be complied with or satisfied under the placing and subscription agreement on or before the closing date of Placing; and (iv) the placing agents having received the legal opinions as required by the placing agents.

The closing of the Subscription is conditional upon the fulfilment of the following conditions: (1) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares; (2) the closing of the Placing having occurred pursuant to the terms of the placing and subscription agreement; and (3) Creative Brocade International having obtained from the Executive Director of the Corporate Finance Division of the SFC a waiver from the obligation to make a general offer under Rule 26 of the Codes on Takeovers and Mergers and Share Buy-backs in connection with the Subscription and such waiver not having been subsequently revoked prior to the delivery of definitive share certificates representing the Subscription Shares.

The completion of the Placing, the Subscription and the Sale took place on December 8, 2020, December 17, 2020 and December 8, 2020, respectively.

A total of 20,795,052 Placing Shares have been successfully placed at the Placing Price of HKD37.88 to not less than six professional, institutional and/or individual investors who, together with their respective ultimate beneficial owners, are independent of and not acting in concert with the Creative Brocade International, its ultimate beneficial owners and their respective concert parties and Longwood Capital Limited, its ultimate beneficial owners and their respective concert parties and are third parties independent of and not connected with the Company or its connected persons. None of the placees and their respective ultimate beneficial owners has become a substantial shareholder of the Company upon taking up the Placing Shares. The aggregate nominal value of the Placing Shares is US$519.88.

A total of 20,795,052 Subscription Shares (equal to the number of the Placing Shares successfully placed under the Placing) were subscribed by Creative Brocade International at HKD37.88 per Subscription Share. The net share price for the Subscription after deduction of the expenses incurred by Creative Brocade International including legal fees and fees of other advisers, which were all borne by the Company, in connection with the Subscription is approximately HKD37.41 per Subscription Share.

For further details, please refer to the Company's announcements dated December 3, 2020, December 4, 2020 and December 10, 2020 and December 17, 2020.

Save as disclosed in this section and under the section headed "Restricted Share Unit Scheme and Share Option Scheme" in this directors' report, at no time during the year ended December 31, 2020 was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2020, none of the Directors have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Law, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability. Such provisions were in force throughout the year ended December 31, 2020 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

USE OF PROCEEDS FROM THE LISTING AND THE TOP-UP PLACING

Our shares were listed on the Main Board of the Stock Exchange on June 1, 2020. A total of 98,724,000 ordinary shares comprising the Global Offering with nominal value of US$0.000025 each of the Company were issued at HKD16.64 per share. On June 24, 2020, the Joint Global Coordinators partially exercised the Over-allotment Option granted by the Company under the Global Offering and pursuant to which the Company issued and allotted an aggregate of 11,402,400 additional Shares at HKD16.64 per Share. 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. Details of the Group's use of proceeds from the initial public offering as of December 31, 2020 are set out in the section headed "Management Discussion and Analysis — Use of Proceeds from the Listing" in this annual report.

As disclosed in the section headed "Rights to Acquire the Company's Securities and Equity-Linked Agreements" in this directors' report, the Company entered into a placing and subscription agreement with Creative Brocade International and three placing agents on December 4, 2020. The Company successfully raised total net proceeds of approximately HKD778.0 million through the top-up placing of 20,795,052 Shares to not less than six professional, institutional and/or individual investors at the placing price of HKD37.88 per Share on December 17, 2020. Details of the Group's use of proceeds from the top-up placing as of December 31, 2020 are set out in the section headed "Management Discussion and Analysis – Use of Proceeds from the Top-up Placing" in this annual report.

CONNECTED TRANSACTIONS

We set out below a summary of the connected transactions (including continuing connected transactions) conducted/carried out by the Group for the year ended December 31, 2020.

Connected Transaction

Acquisition of the Entire Issued Share Capital in CHUANGXINZHONG LTD

On December 24, 2020, the Company as the purchaser, the Vendors and certain other parties thereto entered into a share purchase agreement, pursuant to which the Company has agreed to purchase, and the Vendors have agreed to sell, sale shares representing the entire issued share capital of the CHUANGXINZHONG LTD, at a total consideration of RMB170,000,000. The consideration shall be settled by (i) payment of RMB15,000,000 in cash and (ii) the allotment and issue of the Consideration Shares to the Vendors at the issue price of HKD37.50 per Consideration Share.

After the Restructuring, Chuangxinzhong HK will hold 42.5% equity interest in Beijing Chuangxinzhong. Chuangxinzhong HK is a wholly-owned subsidiary of CHUANGXINZHONG LTD, which in turn is owned as to approximately 58.2% by Source Winner. Source

Winner is wholly owned by Mr. Qin Lingjin, who is a director of Beijing Chuangxinzhong. Bright Usening is wholly-owned by Mr. Zhang Guoxian, who is the chief executive of Beijing Chuangxinzhong. By virtue of their interests in Beijing Chuangxinzhong, each of Chuangxinzhong HK, CHUANGXINZHONG LTD, Source Winner, Bright Usening, Mr. Qin Lingjin and Mr. Zhang Guoxian is a connected person of the Company at the subsidiary level according to Rules 14A.07(1) and 14A.07(4) of the Listing Rules. The acquisition of shares from Source Winner and Bright Usening and the issue of Consideration Shares to Source Winner and Bright Usening constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the acquisition of shares from Source Winner and Bright Usening and the issue of Consideration Shares to Source Winner Limited and Bright Usening are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting of the Company has been duly convened on February 22, 2021 to approve the share purchase agreement and the transactions contemplated thereunder, and the grant of the specific mandate for the allotment and issue of the Consideration Shares.

Beijing Chuangxinzhong is a leading content performance marketing service provider in China. The Directors believe that the strategic investment and cooperation with Beijing Chuangxinzhong will further help both sides complete the integration of high-quality resources and open up online and offline media resources and data.

Completion of the acquisition is subject to satisfaction of the conditions precedent to the sale and purchase agreement including, among others, (i) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares, and (ii) the Restructuring having been completed. After the Restructuring, CHUANGXINZHONG LTD will indirectly own 42.5% equity interest in Beijing Chuangxinzhong.

The acquisition has not been completed and the Consideration Shares have not been issued since the Target Group (as defined in the circular of the Company dated January 29, 2021) has not settled all the payments related to the Restructuring as at the Latest Practicable Date.

For further details, please refer to the Company's announcements dated December 24, 2020 and December 28, 2020 and circular dated January 29, 2021.

Continuing Connected Transactions

We set out below a summary of the continuing connected transactions of the Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Our Group, through our primary PRC operating entities, Shenzhen Yeahka and its subsidiaries, is primarily engaged in providing payment services and business services to merchants and consumers. In order for our Company, as a foreign investor under the current regulatory regime, to maintain its business operations while complying with the PRC laws and regulations, our Group conducts a substantial portion of the business through its PRC Consolidated Entities. Yeahka WFOE, Shenzhen Yeahka and the Registered Shareholders entered into the Contractual Arrangements on October 29, 2019. Our Group do not hold any equity interest in the PRC Consolidated Entities. Rather, through the Contractual Arrangements, we effectively control these PRC Consolidated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so.

Reasons for the Contractual Arrangements

As advised by our PRC Legal Advisors, the value-added telecommunication services, payment services business and micro-credit business of our Group (the "**Relevant Businesses**") are subject to foreign investment restrictions in the PRC.

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which were issued on December 11, 2001 by the State Council of the PRC and amended on September 10, 2008 and February 6, 2016, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of value-added telecommunications business operations overseas (the "**Qualification Requirements**"). As advised by our PRC Legal Advisors, as of December 31, 2020, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation on the Qualification Requirements, and there was no update to the Qualification Requirements.

From the perspective of operating the Relevant Businesses in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC government authorities and as advised by our PRC Legal Advisors, our Company was unable to establish foreign-invested entities to obtain an ICP License, an approval to operate micro-credit business and a Payment License, and accordingly, our Company could not hold a shareholding interest in the PRC Consolidated Entities, which hold the licenses and approval required for the Relevant Businesses. In order for our Company, as a foreign investor, to maintain its business operations while complying with the PRC laws and regulations, we, through Yeahka WFOE, have entered into a set of contractual arrangements (the "**Previous Contractual Arrangements**") with Shenzhen Yeahka and the then registered shareholders in 2012 and 2013. The Previous Contractual Arrangements allowed our Company to exercise control over the business operation of Shenzhen Yeahka and enjoy all the economic interests derived therefrom. In preparation for the Listing and upon the completion of the Reorganization, Yeahka WFOE, Shenzhen Yeahka and the Registered Shareholders entered into the Contractual Arrangements on October 29, 2019, which superseded the Previous Contractual Arrangements.

For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, please refer to pages 221 to 224 of the Prospectus and the sections headed "Regulatory Overview — Regulations on Payment Services of Non-financial Institutions", "Regulatory Overview — Regulations on Micro-credit Business" and "Regulatory Overview — Regulations on Value-added Telecommunication Services" of the Prospectus.

Our Directors (including our independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations; and the Contractual Arrangements and the transactions thereunder have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms or better and the terms are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

Our Directors also believe that our structure, whereby the financial results of Shenzhen Yeahka and its subsidiaries are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flow to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in the Prospectus and this annual report, and potential investors of our Company will deal in our Shares on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof would add unnecessary administrative costs to our Company.

Summary of Major Terms of the Contractual Arrangements

The Contractual Arrangements which were in place during the year ended December 31, 2020 and a brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement dated October 29, 2019 between Shenzhen Yeahka and Yeahka WFOE (the "**Exclusive Business Cooperation Agreement**"), Yeahka WFOE agreed to be engaged as the exclusive provider to the PRC Consolidated Entities of technical support, consultation and other services for a monthly service fee.

Under the Exclusive Business Cooperation Agreement, the service fee shall be of reasonable prices in accordance with the nature of the services, shall be further stipulated in separate service agreements, and shall consist of 100% of the total consolidated profit of the PRC Consolidated Entities, after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Yeahka WFOE may adjust the scope and amount of service fees according to PRC tax law and tax practices, and Shenzhen Yeahka will accept such adjustments. Yeahka WFOE shall calculate the service fees on a monthly basis and issue a corresponding value-added tax invoice to Shenzhen Yeahka at the tax rate stipulated by current PRC laws and regulations regarding value-added tax. Notwithstanding the payment agreements in the Exclusive Business Cooperation Agreement, Yeahka WFOE may adjust the payment time and payment method, and Shenzhen Yeahka will accept any such adjustment.

In addition, absent the prior written consent of Yeahka WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement and other matters, the PRC Consolidated Entities shall not directly or indirectly accept the same or any similar services to be provided by any third party and shall not establish cooperation relationship similar to that formed by the Exclusive Business Cooperation Agreement with any third party. Yeahka WFOE may appoint other parties, who may enter into certain agreements with the PRC Consolidated Entities, to provide the PRC Consolidated Entities with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provided that Yeahka WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the PRC Consolidated Entities during the performance of the Exclusive Business Cooperation Agreement.

The validity period of the Exclusive Business Cooperation Agreement commenced from October 29, 2019, and it shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in writing by Yeahka WFOE; (c) when all the equity interests and assets of Shenzhen Yeahka have been legally transferred to Yeahka WFOE; or (d) if renewal of the expired business period of either Yeahka WFOE or Shenzhen Yeahka is denied by relevant government authorities, at which time the Exclusive Business Cooperation Agreement will terminate upon expiration of that business period.

Exclusive Option Agreement

Pursuant to the exclusive option agreement dated October 29, 2019 among Shenzhen Yeahka, Yeahka WFOE and the Registered Shareholders (the "**Exclusive Option Agreement**"), the Registered Shareholders irrevocably agreed to grant Yeahka WFOE an exclusive right to acquire, or designate one or more persons to acquire, from the Registered Shareholders any or all their equity interests then held in Shenzhen Yeahka, in whole or in part at any time, for a total consideration of RMB200,000,000, which equals to the registered capital of Shenzhen Yeahka. If Yeahka WFOE exercises its option right to acquire part of equity interests held by certain Registered Shareholder(s) in Shenzhen Yeahka, the purchase price shall be calculated in proportion to the equity interests being transferred. Furthermore, where the above purchase prices are higher than the lowest price permitted by the then PRC laws and regulations at the time of exercising options, the lowest price permitted by PRC laws and regulations shall be applied. Each of Shenzhen Yeahka and the Registered Shareholders has given certain covenants under the Exclusive Option Agreement.

The Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to Yeahka WFOE any consideration they receive in the event that Yeahka WFOE exercise the options under the Exclusive Option Agreement to acquire the equity interests in the PRC Consolidated Entities. The validity period of the Exclusive Option Agreement commenced from October 29, 2019 and it shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Option Agreement; (b) in writing by Yeahka WFOE; or (c) when the entire equity interests held by the Registered Shareholders or their successors or the transferees in Shenzhen Yeahka have been transferred to Yeahka WFOE or their appointee(s).

Equity Pledge Agreement

Pursuant to the equity pledge agreement dated October 29, 2019 entered into between Yeahka WFOE, Shenzhen Yeahka and each of the Registered Shareholders (collectively, the "**Equity Pledge Agreements**"), the Registered Shareholders agreed to pledge all their respective equity interests in Shenzhen Yeahka that they own, including any interest or dividend paid for the shares, to Yeahka WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of Shenzhen Yeahka took effect upon the completion of the change of registration on February 18, 2020 with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Shenzhen Yeahka under the relevant Contractual

Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Shenzhen Yeahka under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured within 20 days following the Registered Shareholders or Shenzhen Yeahka's receipt of the written notice which requests the cure of such default, Yeahka WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC laws and regulations and the Equity Pledge Agreements, including without limitation, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests upon written notice to the Registered Shareholders.

Powers of Attorney

Each of the Registered Shareholders has executed a power of attorney dated October 29, 2019 (collectively, the "**Powers of Attorney**") pursuant to which each of the Registered Shareholders irrevocably appointed Yeahka WFOE and its designated persons (including but not limited to the Directors and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as his or its attorney-in-fact to exercise on his or its behalf, and agreed and undertook not to exercise, any and all right that he or it has in respect of his or its equity interests in Shenzhen Yeahka.

Each of the Registered Shareholders has undertaken that he will not directly or indirectly participate in, engage in, involve in, own or be interested in any business which potentially competes with Yeahka WFOE or its affiliates without Yeahka WFOE's prior written consent.

Each of the individual Registered Shareholders has undertaken that in the event that he becomes a natural person without civil capacity or a natural person with limited capacity for civil activity due to any reasons, his representatives or successors shall continue to perform his obligations and enjoy the benefits under the Contractual Arrangements subject to the terms of the Powers of Attorney.

Each of the non-individual Registered Shareholders has undertaken that in the event that it becomes a legal person without civil capacity or a legal person with limited capacity for civil activity due to its liquidation or other reasons, its administrator shall continue to perform its obligations and enjoy the benefits under the Contractual Arrangements subject to the terms of the Powers of Attorney.

Further, the Registered Shareholders have been in compliance with the Powers of Attorney since October 29, 2019, and the Powers of Attorney shall remain effective for so long as he or it holds an equity interest in Shenzhen Yeahka.

Loan Agreement

Yeahka WFOE, Mr. Liu Yingqi and Mr. Qin Baoan ("**Mr. Qin**") entered into a loan agreement on October 29, 2019 (the "**Loan Agreement**"), pursuant to which Yeahka WFOE provided an RMB198,813,172 interest-free loan to Mr. Liu Yingqi and an RMB1,186,828 interest-free loan to Mr. Qin for their investment in Shenzhen Yeahka.

The term of the Loan Agreement commenced on the date of entering into the Loan Agreement and shall be terminated when Yeahka WFOE exercises its exclusive option to acquire, or designate one or more persons to acquire, from the individual Registered Shareholders any or all their equity interests then held in Shenzhen Yeahka, as stipulated in the Exclusive Option Agreement. The loan will become due and payable under the following circumstances: (i) 30 days after receiving a written notice from Yeahka WFOE requesting repayment of the loan; (ii) the death or loss of civil capacity of the individual Registered Shareholders; (iii) the individual Registered Shareholders being engaged or involved in criminal activities; and (iv) Yeahka WFOE exercising its exclusive option to acquire, or designate one or more persons to acquire, from the individual Registered Shareholders any or all their equity interests then held in Shenzhen Yeahka pursuant to the Exclusive Option Agreement and the PRC foreign ownership restrictions applicable to the Group's business have been lifted. Mr. Liu Yingqi's and Mr. Qin's contribution to the share capital of Shenzhen Yeahka is RMB198,813,172 and RMB1,186,828, respectively.

Spouse Undertakings

The spouse of each of the individual Registered Shareholders, where applicable, has signed a letter of agreement on October 29, 2019 to the effect, among others, that:

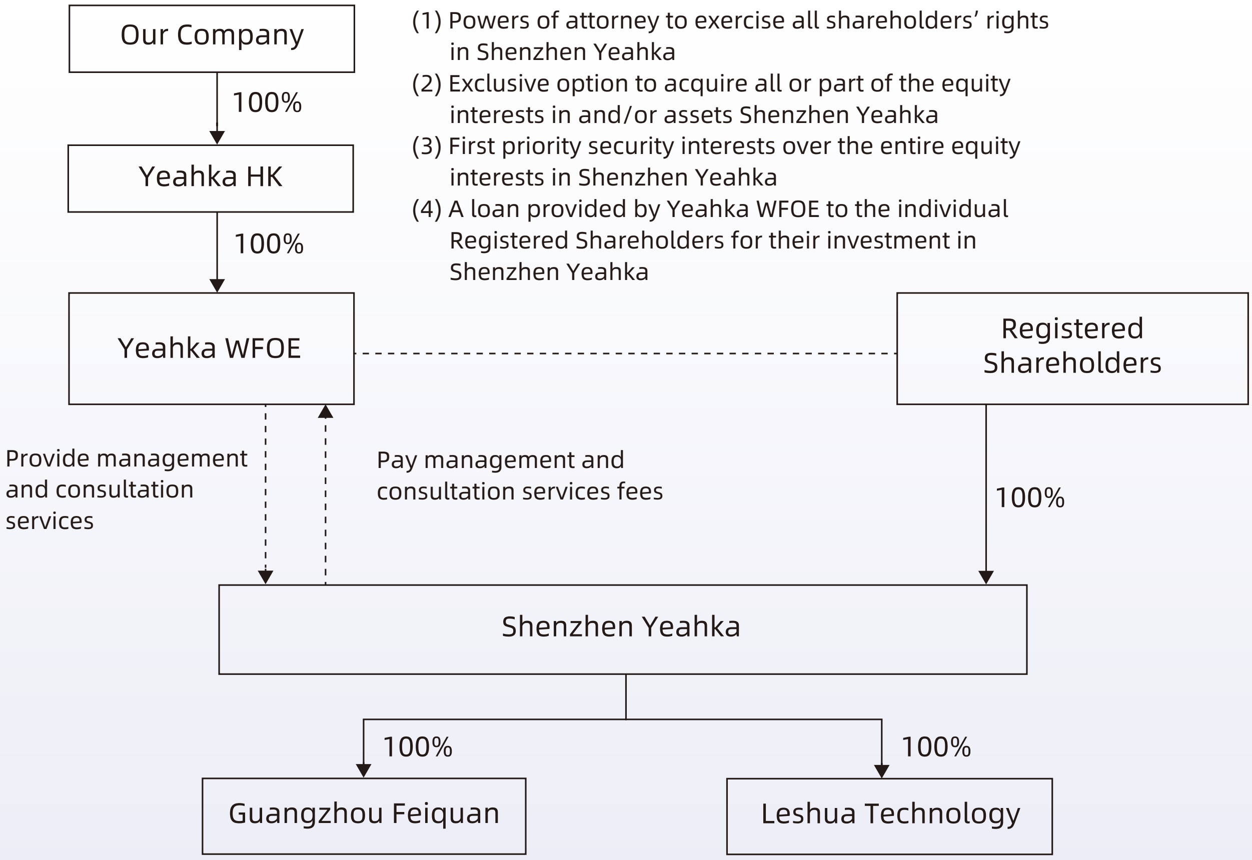
(i) each spouse confirmed and agreed that the respective individual Registered Shareholder's existing and future equity interests in Shenzhen Yeahka (together with any other interests therein) are separate properties of the individual Registered Shareholder and do not fall within the scope of communal properties of such individual Registered Shareholder and his spouse; the respective individual Registered Shareholder is entitled to deal with his own equity interests and any interests therein in Shenzhen Yeahka in accordance with the Contractual Arrangements. The spouse of each of the individual Registered Shareholder confirmed that she will fully assist with the performance of the Contractual Arrangements at any time;

(ii) each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets; and she has not and does not intend to participate in the operation and management or other voting matters of Shenzhen Yeahka;

(iii) each spouse confirmed that the respective individual Registered Shareholder may further amend or terminate the Contractual Arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; and

(iv) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of Contractual Arrangements as amended from time to time.

The following simplified diagram illustrates the flow of economic benefits from Shenzhen Yeahka to our Group stipulated under the Contractual Arrangements.



Save as disclosed above, there are no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the PRC Consolidated Entities during the year ended December 31, 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2020.

For the year ended December 31, 2020, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

As at December 31, 2020, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Consolidated Entities under the Contractual Arrangements.

We have been advised by our PRC Legal Advisors that the Contractual Arrangements do not violate the relevant PRC regulations.

The aggregate revenue of Shenzhen Yeahka and its subsidiaries amounted to approximately RMB1,875 million for the year ended December 31, 2020 which accounted for approximately 81.8% of the total revenue for the year of the Group.

The aggregate asset of Shenzhen Yeahka and its subsidiaries amounted to approximately RMB2,961 million for the year ended December 31, 2020 which accounted for approximately 52.7% of the total asset for the year of the Group.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 57 to 62 of the Prospectus.

- If the PRC Government finds that the Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Consolidated Entities.

- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law of the PRC and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our PRC Consolidated Entities may fail to perform their obligations under our Contractual Arrangements.

- We may lose the ability to use and enjoy assets held by our PRC Consolidated Entities that are material to our business operations if our PRC Consolidated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The Registered Shareholders of Shenzhen Yeahka may have conflicts of interest with us, which may materially and adversely affect our business.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of our Shareholders' investment.

- If we exercise the option to acquire equity ownership and assets of our PRC Consolidated Entities, the ownership or asset transfer may subject us to substantial costs.

Mitigation Actions Taken by the Company

Our management works closely with our executive Directors and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Besides, our Company has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- major issues arising from the implementation of and compliance with the Contractual

Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

- our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

- our Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and

- our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of Yeahka WFOE and the PRC Consolidated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

The Extent to Which the Contractual Arrangements Relate to Requirements Other Than the Foreign Ownership Restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 221 to 225 of the Prospectus.

Listing Rule Implications

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the PRC Consolidated Entities are treated as our Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders and their respective associates are treated as our Company's "connected persons." Accordingly, the transactions contemplated under the Contractual Arrangements constitute connected transactions of our Company under the Listing Rules. The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange

The Stock Exchange has granted our Company a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Consolidated Entities;

(d) the Contractual Arrangements may be renewed and/or reproduced upon expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) we will disclose details of the Contractual Arrangements on an ongoing basis.

Confirmation from Independent Non-Executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that: (a) the transactions carried out during the year ended December 31, 2020 had been entered into in accordance with the relevant provisions of the Contractual Arrangements; (b) no dividends or other distributions had been made by the PRC Consolidated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group; (c) no new contracts had been entered into, renewed and/or reproduced between the Group and the PRC Consolidated Entities during the year ended December 31, 2020; and (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms or better and according to the relevant agreements governing the Contractual Arrangements on terms that are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Confirmation from the Auditor

The Auditor has confirmed in a letter to the Board (with a copy to the Stock Exchange) confirming that the transactions carried out pursuant to the Contractual Arrangements during the year ended December 31, 2020 had received the approval of the Directors, had been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions had been made by the PRC Consolidated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group.

During the year ended December 31, 2020, save as disclosed above, no related party transactions disclosed in note 35 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, June 25, 2021. A notice convening the AGM and all other relevant documents will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed from Tuesday, June 22, 2021 to Friday, June 25, 2021, both dates inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, June 21, 2021.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 71 to 89 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2020.

AUDITOR

The financial statements for the year ended December 31, 2020 have been audited by PwC who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint PwC as the auditor of the Company.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this directors' report.

On behalf of the Board
Liu Yingqi
Chairman

March 25, 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the purpose of inclusion in the Company's annual report for the year ended December 31, 2020.

COMPLIANCE WITH THE CG 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 business and operation 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 and code provisions prescribed in the CG Code as set out in Appendix 14 to the Listing Rules. The Board is of the view that since the Listing Date and up to December 31, 2020 (the "**Relevant Period**"), the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained in this corporate governance report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code, including at least the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the Company's code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure made in this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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. After making specific enquiries of all Directors of the Company, all Directors confirmed that they have strictly complied with the Model Code during the Relevant Period.

The Board has also adopted written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Employees Written Guidelines by the Company's relevant employees had been noted during the Relevant Period after making reasonable enquiries.

THE BOARD

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and performance, and is collectively responsible for facilitating the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated responsibilities to the Board committees, which have been set out in their respective terms of reference.

Delegation of Management Functions

The major powers and functions of the Board include, but not limited to, convening general meetings, reporting its work at general meetings, implementing resolutions passed at general meetings, considering and approving operating and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final accounts, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Memorandum and Articles of Association.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

All Directors have full and timely access to all the information of the Company and advices from the company secretary and the senior management of the Company, and may, where appropriate, request to seek independent professional advices at the Company's expenses for discharging their duties to the Company.

The Board is responsible for making decisions on strategic plans, major investment decisions and other significant operational issues of the Company, while responsibilities for implementing decisions of the Board, day-to-day management, administration and operation of the Company are delegated to the senior management. The Board will review the delegated functions and tasks regularly. The management has to obtain Board approval prior to entering into any significant transactions.

Structure of the Board

For the year ended December 31, 2020, the Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. On March 4, 2021, Ms. Zhou Lingli's resignation as an executive Director became effective. As at the date of this annual report, the Board comprises eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The list of the Board members, their positions and dates of appointment and resignation is set out below.

Executive Directors:
Mr. Liu Yingqi (Chairman of the Board and Chief Executive Officer)
Ms. Zhou Lingli (Chief Strategy Officer) (resigned with effect from March 4, 2021)
Mr. Yao Zhijian (Chief Financial Officer)
Mr. Luo Xiaohui (Chief Architect) (appointed with effect from August 28, 2020)

Non-executive Directors:
Mr. Mathias Nicolaus Schilling
Mr. Hirofumi Ono
(resigned with effect from August 28, 2020)
Mr. Akio Tanaka
(appointed with effect from August 28, 2020)

Independent Non-executive Directors:
Mr. Tam Bing Chung Benson
Mr. Yao Wei
Mr. Yang Tao

Biographical details of each Directors are set out in the section headed "Directors and Senior Management".

All Directors, including non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have always acted in the interests of the Company and the Shareholders.

There is no relationship (including financial, business, family or other material/relevant relationship) between the Board members of the Company.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman of the Board (the "**Chairman**") 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 A.2.1 of the CG Code, the Board believes this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by 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 the Company and will make decisions for the 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.

The Chairman provides leadership to the Board by ensuring the Board works effectively and discharges its responsibilities in time, and all key and appropriate issues are discussed by it in a timely manner. The Chairman himself, or a Director or a company secretary delegated by him, is responsible for determining and approving the agenda for each Board meeting. The Chairman ensures that good corporate governance practices and procedures are established. The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman ensures that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable. The Chairman ensures appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole. The Chairman promotes the effective contribution of Directors (in particular non-executive Directors) to the Board and ensures constructive relations between executive and non-executive Directors.

Independent Non-executive Directors

The Board has been complying with the requirements of Rules 3.10 (1) and 3.10 (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. In addition, under Rule 3.10A of the Listing Rules, independent non-executive Directors shall represent at least one-third of the Board. The Company has three independent non-executive Directors during the Relevant Period, accounting for one-third of Board members, so the Company has complied with the relevant regulations.

Independent non-executive Directors have confirmed their independence in the Relevant Period to the Company in accordance with Rule 3.13 of the Listing Rules. Based on the confirmation of independent non-executive Directors, the Company considers that they are independent during the Relevant Period.

Appointment and Re-election of Directors

Code Provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after the appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are contained in the Memorandum and Articles of Association.

Each of the executive Directors, Mr. Liu Yingqi, Ms. Zhou Lingli, Mr. Yao Zhijian and Mr. Luo Xiaohui, have signed service contracts with the Company, the term for Mr. Liu Yingqi, Ms. Zhou Lingli and Mr. Yao Zhijian is three years from the Listing Date, while the term for Mr. Luo Xiaohui is three years from August 28, 2020. The service contract may be terminated in accordance with its terms.

Each of the non-executive Directors and the independent non-executive Directors have signed the letters of appointment with the Company. The terms and conditions of respective letters of appointment are similar in all material aspects. Each of the non-executive Directors and the independent non-executive Directors have been appointed for a term of three years from the Listing Date, except for Mr. Akio Tanaka whose term is three years from August 28, 2020. The letter of appointment may be terminated in accordance with its terms.

According to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

According to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 of the Articles of Association shall not be considered in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. At any annual general meeting at which any Directors retire, the Company may fill the vacated office by electing a like number of persons to be Directors.

Board Meetings and General Meetings

For the year ended December 31, 2020, the Company held four Board meetings and one extraordinary general meeting in total. The Company will fully comply with the requirement under Code Provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals, and the relevant meetings will have a majority of Directors attending in person or actively participating by electronic communication. The Company held one Board meeting on March 25, 2021.

For the year ended December 31, 2020, the attendance of each Director at the Board meetings and extraordinary general meeting is set out below:

Name of Director	Number of Board meetings attended in person/Number of Board meetings	Number of Board meetings attended by entrusting other Directors/ Number of Board meetings	Attendance rate in person for Board meetings	Number of extraordinary general meeting attended in person/Number of extraordinary general meeting	Attendance rate in person for extraordinary general meeting
Executive Directors:					
Mr. Liu Yingqi	4/4	0/4	100%	1/1	100%
Ms. Zhou Lingli	4/4	0/4	100%	0/1	0%
Mr. Yao Zhijian	4/4	0/4	100%	1/1	100%
Mr. Luo Xiaohui (appointed with effect from August 28, 2020)	1/1	0/1	100%	0/1	0%
Non-executive Directors:					
Mr. Hirofumi Ono (resigned with effect from August 28, 2020)	1/3	2/3	33.33%	N/A(Note 1)	N/A(Note 1)
Mr. Mathias Nicolaus Schilling	4/4	0/4	100%	0/1	0%
Mr. Akio Tanaka (appointed with effect from August 28, 2020)	1/1	0/1	100%	0/1	0%
Independent non-executive Directors:					
Mr. Tam Bing Chung Benson	4/4	0/4	100%	0/1	0%
Mr. Yao Wei	4/4	0/4	100%	0/1	0%
Mr. Yang Tao	3/4	1/4	75%	0/1	0%

Note (1): Mr. Hirofumi Ono resigned with effect from August 28, 2020, while the extraordinary general meeting was held on October 13, 2020.

In addition to the regular Board meetings, during the year ended December 31, 2020, the Chairman also held a meeting with independent non-executive Directors without the attendance of other Directors.

The Company adopts the practice of holding regular Board meetings at least four times a year at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend the meetings and discuss matters included in the agenda.

For other meetings of the Board and the Board committees, reasonable notices are generally given. The agenda and accompanying Board papers are dispatched to Directors or members of the Board committees at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. Where Directors or members of the Board committees are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner.

The senior management normally will attend regular Board meetings and where necessary, other Board and committee meetings, to advise on business development, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. The Board and each Director also have separate and independent access to the senior management where necessary.

Minutes of meetings of the Board and the Board committees are recorded in full detail about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised or objections expressed by Directors. Draft minutes of each meeting of the Board and the Board Committees are sent to Directors for comments within a reasonable time after the date of the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

If a substantial shareholder or a Director has a potential conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the relevant Directors shall abstain from voting and a Board meeting attended by independent non-executive Directors who have no material interest in the matter shall be held to discuss and vote on the same.

Directors' Training and Continuous Professional Development

Each newly appointed director will be provided with necessary introduction and information to ensure that he/she has a proper understanding of the Company's operation and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge his/her duties. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of directors.

For the year ended December 31, 2020, all Directors have attended the training on Chapter 14 and Chapter 14A of the Listing Rules and read relevant materials.

The personal training records received by the Directors during the year are summarized as follows:

Name of Director	Attending or participating in relevant seminars/ reading relevant materials
Executive Directors:	
Mr. Liu Yingqi	✔
Ms. Zhou Lingli	✔
Mr. Yao Zhijian	✔
Mr. Luo Xiaohui (appointed with effect from August 28, 2020)	✔
Non-Executive Directors:	
Mr. Hirofumi Ono (resigned with effect from August 28, 2020)	✔
Mr. Mathias Nicolaus Schilling	✔
Mr. Akio Tanaka (appointed with effect from August 28, 2020)	✔
Independent Non-Executive Directors:	
Mr. Tam Bing Chung Benson	✔
Mr. Yao Wei	✔
Mr. Yang Tao	✔

Board Secretary

Mr. Zhao Weichen ("**Mr. Zhao**"), the general manager of corporate development and investor relations department of the Company, was appointed as board secretary on March 25, 2021. Mr. Zhao is responsible for corporate development, overseeing the investment and financing, and investor relations of the Group.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. The Board committees have sufficient resources to execute their requisite duties. All the Board committees should report to the Board on their decisions or recommendations made.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The main duties of the Audit Committee are to (i) review and supervise the financial reporting process and internal control system of the Group; (ii) oversee the audit process; (iii) review and oversee the existing and potential risks of the Group; and (iv) perform other duties and responsibilities as assigned by the Board.

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). None of the members of the Audit Committee is a former partner of the Company's current external Auditor.

According to the written terms of reference for the Audit Committee, the committee shall hold at least two meetings in each financial year. During the Relevant Period, the Company held one meeting of the Audit Committee to review the interim results for the six months ended June 30, 2020. In addition, the Audit Committee held one meeting with the external auditor without the attendance of executive Directors, to discuss the Group's interim financial results and the annual audit plan, with the attendance record of its members listed in the table below:

Name of committee member	Number of meetings attended/Number of meetings
Mr. Yao Wei	1/1
Mr. Tam Bing Chung Benson	1/1
Mr. Yang Tao	1/1

The Audit Committee held a meeting on March 25, 2021 to (i) review and discuss the report to the Audit Committee prepared by the auditors, PricewaterhouseCoopers, and the matters the Audit Committee should pay attention to as recommended by the auditors, including any material concerns raised to the management in relation to accounting records, financial statements or internal control systems and the management's responses; (ii) review and discuss the Report of the Risk Management and Internal Control

Systems and to review the risk management and internal control systems of the Group and, if appropriate, make recommendations to the Board on the following matters: (a) to review and discuss the Report of the Risk Management and Internal Control Systems of the Group; (b) to review the effectiveness of financial controls, risk management and internal control systems of the Group; and (c) to review the adequacy of resources of the accounting and financial reporting function of the Group, staff qualifications and experience, and review staff training programmes and relevant budget; (iii) review and discuss the draft audited consolidated financial statements; the draft annual results announcement and the draft annual report of the Group for the year ended December 31, 2020 and, if appropriate, make recommendations to the Board; (iv) review and discuss the draft of letter of representation prepared by the auditors, PricewaterhouseCoopers and make recommendations to the Board; and (v) consider and make recommendations to the Board on the re-appointment of PricewaterhouseCoopers as the Company's independent external auditors for a term until the conclusion of the next annual general meeting of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended December 31, 2020. The Audit Committee is of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The main duties of the Remuneration Committee include (i) making recommendations to the Board on the remuneration policy and structure for all Directors and senior management members of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) determining the policy for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive Directors' service contracts; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (i.e. the model described in Code Provision B.1.2(c)(ii) of the CG Code is adopted).

The Remuneration Committee consists of three members, including two independent non-executive Directors and one executive Director, namely Mr. Yao Wei, Mr. Tam Bing Chung Benson and Mr. Liu Yingqi. Mr. Yao Wei serves as the chairman of the Remuneration Committee.

During the Relevant Period, no meeting was held by the Remuneration Committee.

One Remuneration Committee meeting was held on March 25, 2021 during which the Remuneration Committee reviewed the Company's remuneration policy and structure of the Board and senior management of the Company and the remuneration package of each executive Director and senior management for 2021, ratified the remuneration packages of Mr. Luo Xiaohui and Mr. Akio Tanaka, and made recommendations to the Board on such aspects.

Pursuant to Code Provision B.1.5 of the CG Code, the following table sets forth the remuneration (excluding equity-settled share expenses) payable to members of senior management (including members of senior management who are also executive Directors) for the year ended December 31, 2020 categorized by bands:

Band (Note)	Remuneration (RMB)	Number of individuals
1	1,000,001-1,500,000	2
2	1,500,001-2,000,000	1
3	2,000,001-2,500,000	2

Notes:

Band 1 includes 1 executive Director and 1 senior management member of the Company.

Band 2 includes 1 executive Director.

Band 3 includes 2 executive Directors.

Further details on remuneration of the Directors and the five highest paid employees required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 10 and 36 to the financial statements.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The main duties of the Nomination Committee include (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) formulating a policy of selection and nomination of directors and the procedures for the sourcing of suitably qualified directors for consideration of the Board and implementing such plan and procedures approved; (iii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) ensuring sufficient biographical details of nominated candidates are provided to the Board and Shareholders to enable them to make a decision regarding selection of the Board members; (v) assessing the independence of independent non-executive directors; (vi) making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer; and (vii) establishing a whistleblowing policy and system for employees and those who deal with the Company to raise concerns in confidence about possible improprieties in any matter related to the Company.

The Nomination Committee consists of three members, including one executive Director and two independent non-executive Directors, namely Mr. Liu Yingqi, Mr. Yao Wei and Mr. Tam Bing Chung Benson. Mr. Liu Yingqi currently serves as the chairman of the Nomination Committee.

During the Relevant Period, the Nomination Committee held one meeting to consider the appointment of Mr. Luo Xiaohui as executive Director and Mr. Akio Tanaka as non-executive Director and to make recommendations to the Board, with the attendance record of its members listed in the table below:

Name of committee member	Number of meetings attended/Number of meetings
Mr. Liu Yingqi	1/1
Mr. Yao Wei	1/1
Mr. Tam Bing Chung Benson	1/1

One Nomination Committee meeting was held on March 25, 2021 during which the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, and considered the retirement and re-election of Directors at the forthcoming annual general meeting and made recommendations to the Board on the same.

DIRECTOR NOMINATION POLICY

According to the director nomination policy of the Company, the Nomination Committee shall recommend to the Board for the appointment of a director of the Company including an independent non-executive Director in accordance with the following nomination procedures:

(i) the Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other members of the management and external recruitment agency; (ii) the Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship; (iii) the Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable; and (iv) for any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendations to shareholders in respect of the proposed election of a Director at the general meeting of the Company.

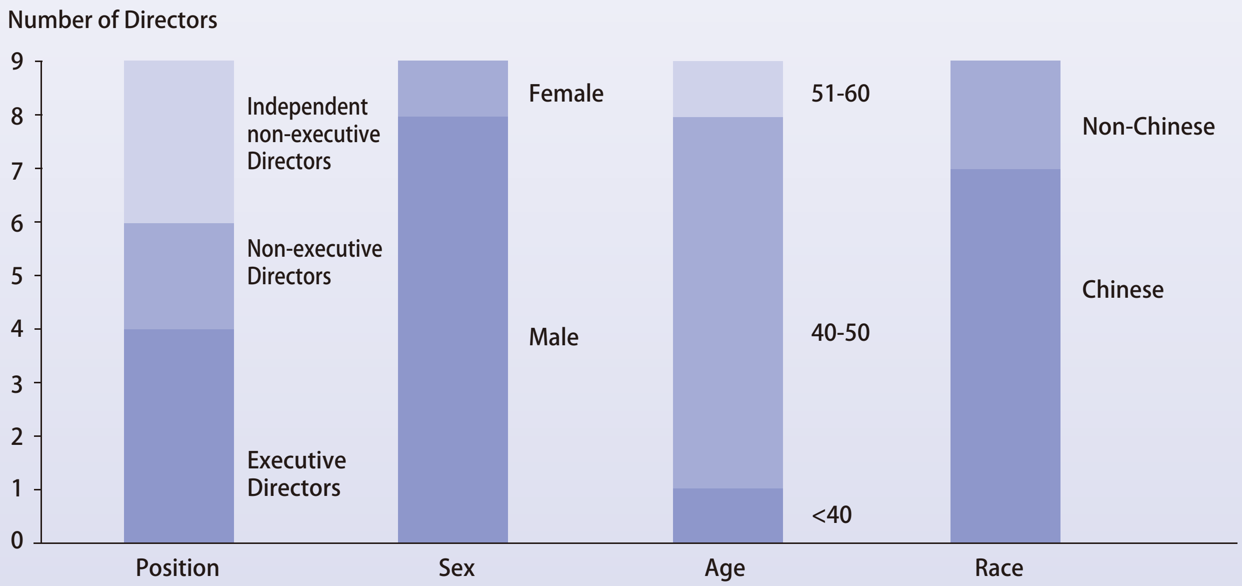
When evaluating and selecting candidates for directorship, the Nomination Committee should consider the following criteria: (i) a character of integrity, honesty and fairness; (ii) background and qualifications including professional qualifications, skills, knowledge and experience related to the Company's business operations and corporate strategy; (iii) understanding the commitments of the Company and its industry, the willingness to devote enough time to perform the duties as a Board member, and the ability to assist the Board in performing its duties; (iv) understanding the adequate requirements of the Board on an independent non-executive director under the Listing Rules and the evaluation on the independence of candidates; (v) being aware of the Board Diversity Policy and any measurable goals adopted by the Nomination Committee for the diversity of Board members. The diversity of Board members will be considered from multiple perspectives, including but not limited to gender, skills, age, cultural and educational background, industry experience, technical and professional experience and/or qualifications, knowledge, length of service, and time to be devoted as a director; and (vi) other factors related to the Company's business model and specific needs from time to time, and the contribution that the selected candidate might bring to the Board.

BOARD DIVERSITY POLICY

The Board has adopted the Board Diversity Policy, which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy provides that the Company should endeavor to ensure that the Board members have the appropriate balance of skills, experience and diversity perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of several factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. The Nomination Committee is delegated by the Board to be responsible for compliance with relevant code governing board diversity under the CG Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness, and we will disclose in the corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

As at December 31, 2020, the Board comprises nine members, including four executive Directors (one of whom is female), two non-executive Directors and three independent non-executive Directors. Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. The Board has a wide range of age, ranging from 38 years old to 57 years old. The members of the Board have different cultural and educational background and ethnicity. After due consideration, the Board believes that based on the meritocracy of Directors, the composition of the Board achieves measurable objectives and satisfies the Board Diversity Policy.

The following chart shows the diversity profile of the Board as at December 31, 2020:



COMPANY SECRETARY

With effect from the Listing Date, Ms. Mak Po Man Cherie ("**Ms. Mak**"), working for the external service provider SWCS Corporate Services Group (Hong Kong) Limited, was appointed by the Company as the company secretary. In the tenure of Ms. Mak, Mr. Yao Zhijian, the executive Director, is the primary contact person for the communication between the Company and Ms. Mak. Ms. Mak reports to the chairman of the Board and is responsible for advising the Board on corporate governance matters to ensure that the Board procedures as well as all applicable laws, rules and regulations are followed.

During the year ended December 31, 2020, Ms. Mak has taken relevant professional training of not less than 15 hours.

POLICIES RELATING TO SHAREHOLDERS

Shareholders' Communication Policy

The Company has formulated a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Dividend Policy

In accordance with Code Provision E.1.5 of the CG Code, the Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration and payment or distribution of its net profit as the dividends to the shareholders of the Company.

The Board adopts the policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of Association and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends, including financial results; cash flow situation; business conditions and strategies; future operations and earnings; capital requirements and expenditure plans; interests of shareholders; any restrictions on payment of dividends; and any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period, including interim dividend; final dividend; special dividend; and any distribution of net profits that the Board may deem appropriate. Any final dividend for a financial year will be subject to Shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association. The Board will review this Policy as appropriate from time to time.

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

The Company has purchased insurances for all Directors and members of the senior management to minimize risks that may be incurred in their normal performance of responsibilities. The insurance coverage is reviewed by the Board on an annual basis.

Directors' Responsibility in respect of the Financial Statements

Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The management provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The statement of the independent auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Company for the year ended December 31, 2020 is set out in the section headed "Independent Auditor's Report" of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

An analysis of the service fees of PricewaterhouseCoopers, the Company's external auditor, and other external auditors is included in note 9 to the financial statements. For the year ended December 31, 2020, the total fees paid/payable, excluding disbursements, in respect of the audit and non-audit services provided by PricewaterhouseCoopers are set out below:

Services provided	Fees Paid/ payable (RMB)
Audit services	4,292,000
Non-audit services [Note]	722,000

Note: Non-audit services mainly include advisory services.

PricewaterhouseCoopers will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the view that appropriate and effective risk management and internal control systems are key to safeguard the achievement of the Company's strategic objectives, and acknowledges its responsibility for the Company's risk management and internal control systems and the review of their effectiveness. Meanwhile, the management is responsible for carrying out the Board's risk management and internal control policy and procedures; it should design, implement and monitor the risk management and internal control systems and confirm to the Board on the effectiveness of the systems.

Sound risk management and internal control systems are designed to manage rather than eliminate the risk of the Company's failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. To this end, appropriate policies and procedures have been established and implemented to ensure that key risks which may have an impact on the Company's performance are properly identified and managed, that the Company's assets are not used or disposed of without authorization, that financial and accounting information is accurately recorded and maintained in accordance with relevant accounting standards and regulatory reporting requirements, and that all operations comply with and adhere to relevant rules and regulations.

Risk Management and Internal Control Systems and Their Characteristics

The Group's risk management and internal control systems include a clear structure with specified authorities and responsibilities. As the owner of risk prevention and control, business units are responsible for implementing daily risk management and internal control, identifying and assessing internal and external risk information. The management is responsible for setting appropriate principles and values, performing risk assessments, owning the design, implementation and maintenance of internal controls, as well as giving confirmation to the Board on the effectiveness of the risk management and internal controls. The Board and the Audit Committee oversee the actions of the management and monitor the overall effectiveness of the control systems.

Within the authorization of the Board and Risk Management Committee, the Company has established a Risk Management Committee and set up three lines of defense for risk management and internal control systems to take day-to-day responsibility related to risk management and internal control.

Risk Management Committee

- Consisting of the Company's management and reporting directly to the Board and Audit Committee.

- Being responsible for organizing, formulating, developing and adjusting risk management strategies and implementation mechanism of the Company and clarifying the risk management division and coordination mechanism of each department, and regularly reporting risk management work to the Board and Audit Committee to monitor daily risk management activities, as well as reviewing and disclosing risk assessment and internal control on a regular basis.

Three Lines of Defense for Risk Management and Internal Control Systems

- The first line of defense consists of the core business departments of the Company. As the primary responsible body for risk management, it is responsible for designing and implementing daily business operation process standards to manage various risks in the business cycles.

- The second line of defense consists of supportive departments such as Risk Control Department, Policy Development Department and Finance Department etc. It is responsible for designing, implementing and monitoring administrative rules in respects of risk control, legal matters, compliance and financial matters. It assists the first line of defense in implementing risk management and control, and timely identifying, capturing, warning and tracking abnormal risk information during daily inspection.

- The third line of defense consists of internal audit team under the Internal Audit & Legal Department. It is responsible for providing analysis and evaluation independent of the first and the second line of defense on the effectiveness of risk management and internal control systems of the Company, and monitoring its improvement and enhancement.

The Effectiveness of Risk Management and Internal Control Systems

The Board reviews the effectiveness of the Company's risk management and internal control systems at least annually. The review covers all material controls in financial, operational and compliance areas, including significant risks and the Company's ability to address them, the scope and quality of management's ongoing monitoring of risks and of internal control systems, internal audit function and the existence and impact of significant control failure or weaknesses. During the above review process, the management is responsible for providing the Board with timely information to assist the Board in its assessment of the effectiveness of the Company's controls and risk management.

During the year ended December 31, 2020, the Board received a confirmation from management on the effectiveness of the Group's risk management and internal control systems and completed a review of them and considered the Group's risk management and internal control systems effective and adequate. The Board has also completed a review of the adequacy of the resources, staff qualifications and experience, training programmes and relevant budget of the Group's accounting, internal audit and financial reporting functions, and was satisfied with the results.

Disclosure of Inside Information

The Company has formulated and implemented an Information Disclosure System which provides general guidelines to the Directors, senior management and staff of the Company on the handling of confidential information, monitoring data disclosure and responding to enquiries, and has put in place control procedures to ensure that unauthorised access to and use of inside information is strictly prohibited.

INVESTOR RELATIONS

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

To promote effective communication and provide the Shareholders and investors with clear and complete information timely and objectively, the Company makes up-to-date information and updates on the Company's business operation and development, financial information, corporate governance practices and other information available in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yeahka.com) for public access.

The Company endeavors to enhance dialogues and relationships with Shareholders and investors continuously, and designates senior management to maintain regular dialogues with institutional investors and analysts, particularly through annual general meetings and other general meetings. The chairman of the general meeting will explain to Shareholders the detailed procedures for voting by poll and answer any questions from Shareholders regarding voting by poll. The Chairman of the Board, the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee or, in their absence, other members of the respective committees, will make themselves available to meet Shareholders and answer their enquiries at the annual general meetings.

Procedures for Shareholders to Convene an Extraordinary General Meeting and Shareholders' Rights

In accordance with Article 12.1 of the Articles of Association, the Company shall hold a general meeting as its annual general meeting in each year. Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid-up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requestor(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requestor(s) themselves or any of them representing more than one-half of the total voting rights held by all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requestor(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Pursuant to Article 13.5 of the Articles of Association, at any general meeting, a resolution put to the vote of the meeting shall be decided on a poll save that the Chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands. The poll results will be posted on the websites of the Stock Exchange and the Company immediately after the relevant general meetings.

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings for each substantially separate issue, including the election of individual Directors, for Shareholders' consideration and voting.

Procedures for Shareholders to Put forward Proposals at General Meetings

There are no provisions under the Memorandum and Articles of Association and the Companies Law of the Cayman Islands regarding approval of Shareholders' proposal of new resolutions at the general meeting. The Shareholders who intend to propose a resolution may require the Company to convene an extraordinary general meeting pursuant to the procedures as stated in the above paragraph — "Procedures for Shareholders to Convene an Extraordinary General Meeting and Shareholders' Rights".

Procedures for Shareholders to Propose Persons for Election as a Directors

According to Article 16.4 of the Articles of Association, if any shareholder of the Company proposes any person other than a retiring director for election as a director at any general meeting, the shareholder shall submit a written notice of his intention to propose such person for election as a director of the Company and also a written notice signed by such person to be proposed for election as a director of the Company of his willingness to be elected to 19/F, A4 Building, Kexing Science Park, 15 Keyuan Road, Nanshan District, Shenzhen, China or to 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. The period for submitting the notices required by this Article shall start no earlier than the day after the notice of the general meeting designated for the election is sent, and end no later than seven days before the date of the general meeting, and the minimum length of the period, during which such written notices are given, shall be at least seven days. To facilitate the Company informing that proposal to the shareholders, according to the requirements of Rule 13.51(2) of the Listing Rules, the written notices must contain the personal information of the person proposed for election as a director, and it must be signed by relevant shareholder(s) and signed by the proposed director, indicating his willingness to be elected as a director and his consent to disclose his personal information. In order to ensure that other shareholders would have sufficient time to receive and consider the information of the person proposed for election as a director, shareholders are urged to lodge their written notice of his intention to propose a person for election as director as early as practicable in advance of the relevant general meeting and, in any case, not less than 12 business days (as defined in the Listing Rules, i.e. day(s) on which the Stock Exchange is open for business of dealing in securities) before the date scheduled for holding the relevant general meeting, so that the Company can complete the verification with the share registrar, and publish announcement(s) and/or the dispatch of a supplementary circular to shareholders in compliance with the applicable requirements under the Listing Rules. In the event that such written notices are received by the Company later than the 12th business day before the date of holding the relevant general meeting, the Company will need to consider whether to adjourn the relevant meeting so as to give shareholders a notice of at least 10 business days of the proposal in accordance with the Listing Rules. Procedures for Shareholders to Propose a Person are available on the website of the Company.

Procedures for Making Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may enquiry the Company in writing. The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice, statement or enquiry (as the case may be) to the following address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Postal address: 19/F A4 Building, Kexing Science Park, 15 Keyuan Road, Nanshan District, Shenzhen, China (For the attention of Investor Relations Team)
E-mail address: ir@yeahka.com

Shareholders should direct their inquiries about their shareholdings to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong. The contact details of Computershare Hong Kong Investor Services Limited are set out below:

Computershare Hong Kong Investor Services Limited

Address: 17M Floor, Hopewell Centre, 183 Queen's Road East,Wanchai, Hong Kong
Telephone number: +852 2862 8555
Facsimile number: +852 2865 0990
Website: www.computershare.com/hk/contact

Investors may also write to the Company at its principal place of business in Hong Kong or China for any enquiries.

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

According to the special resolution passed by Shareholders on April 30, 2020, the Articles of Association have been adopted since the Listing. Except for those disclosed above, there have been no changes in the constitutional document of the Company during the Relevant Period. The Articles of Association are available on the websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yeahka Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yeahka Limited (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 216, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of one-stop payment services
- Goodwill impairment assessment

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of one-stop payment service Refer to Notes 2.19 and 6 to the consolidated financial statements. The Group recognised revenue of approximately RMB1,829,409,000 for the year ended 31 December 2020 by providing one-stop payment services to merchants for their accepting of non-cash payments from consumers, by connecting merchants with the payment networks. The one-stop payment services revenue is recognised at a point in time upon completion of the payment service for each transaction at an amount which is calculated based on the total payment value made by the consumers and the respective applicable service fee rates, and net of interchange fees levied by various third party payment networks. The service fee rates are determined based on the agreements entered between the Group and the merchants. We focused on this area due to the large magnitude of the one-stop payment services revenue transactions. Hence, significant audit resources were allocated to audit this area.	Our procedures in relation to revenue recognition of one-stop payment service revenue included: - We obtained, on a sample basis, the sales agreements with merchants and made reference to the terms and conditions, including the service fee rates and the Group's performance obligations, and assessed the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; - We understood, evaluated and tested the key controls, on a sample basis, in respect of the revenue recognition of one-stop payment services, including the Group's management review and approval granted in respect of (i) input and maintenance of service fee rates for merchants in the systems; and (ii) the monthly calculation of payment service revenue; - We tested the information technology general controls and automated controls, on a sample basis, of the information technology systems used in the relevant transaction processes; and - We checked, on a sample basis, the underlying data of the key reports generated from the Group's information systems which support revenue recognition of one-stop payment service revenue, by (i) comparing the transaction payment records in the key reports capturing the fund flows through the relevant payment networks to the payment transaction reports provided by the respective payment networks; (ii) comparing the applicable service fee rates in the key reports to the service fee rates as set out in the Group's sales agreements entered into with the merchants; and (iii) checking the calculation accuracy of the Group's payment service fees earned. Based upon the above procedures performed, we considered that the recognition of one-stop payment service revenue was supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment Refer to Notes 2.6, 4(a), 16 and 33 to the consolidated financial statements. As at 31 December 2020, the Group had goodwill with carrying amount of approximately RMB301,884,000 arising from several business acquisitions incurred in 2019 and 2020. Management performed annual goodwill impairment test by comparing the recoverable amounts of the respective cash generating units ("CGU") against the carrying amounts. Management determined the recoverable amounts of the CGU determined based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's respective CGU. Based on the results of the annual goodwill impairment assessment conducted, management considered no impairment existed in respect of the goodwill as at 31 December 2020. We focused on this area due to significant management's judgements involved in the determination of VIU of the related CGU which is assessed based on assumptions used in the compilation of the underlying future cash flow forecast. The key assumptions adopted by management include the revenue growth rates, gross profit margin, terminal value growth rates and discount rates.	Our procedures in relation to impairment assessment of goodwill included: - We understood, evaluated and tested management's key controls in respect of the goodwill impairment assessment, including the determination of CGU, the preparation of cash flow forecast, and assumptions used in the calculation of VIU; - We evaluated the historical accuracy of management's cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of the respective businesses in current year; - We evaluated the reasonableness of the key assumptions used in the cash flow forecasts, such as revenue growth rates, gross profit margins and terminal value growth rates, taking into consideration the industry forecasts and market developments, the Group's management approved budgets, plans and the historical performance; - We evaluated the discount rates applied in the calculation with the involvement of our internal valuation experts by comparing them with the industry or market data to assess whether the discount rates applied were within the range of those adopted by comparable companies in the same industry; and - We evaluated management's sensitivity analysis performed over the budgeted revenue growth rates, gross profit margins, terminal value growth rates and discount rates adopted in the impairment test so as to assess the potential implication on the results of the impairment test for changes in assumptions within a reasonable range. Based on the above procedures, we found the key assumptions adopted in management's goodwill impairment assessment to be supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	6	**2,292,903**	2,258,019
Cost of revenue	9	**(1,549,224)**	(1,610,984)
Gross profit		**743,679**	647,035
Selling expenses	9	**(73,691)**	(66,869)
Administrative expenses	9	**(181,273)**	(129,564)
Research and development expenses	9	**(127,778)**	(78,400)
Impairment losses on financial assets	21(b)	**(50,189)**	(27,411)
Other income	7	**13,482**	4,983
Other gains – net	8	**28,196**	2,922
Operating profit		**352,426**	352,696
Finance costs	11	**(9,822)**	(5,615)
Share of losses of investments accounted for using the equity method	14	**(13,964)**	(14,521)
Fair value changes of convertible redeemable preferred shares	30	**125,822**	(181,521)
Profit before income tax		**454,462**	151,039
Income tax expenses	12	**(13,682)**	(66,376)
Profit for the year		**440,780**	84,663

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
Attributable to:			
Equity holders of the Company		**438,907**	84,663
Non-controlling interests		**1,873**	–
		440,780	84,663
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(156,620)**	(19,993)
Total comprehensive income for the year		**284,160**	64,670
Attributable to:			
Equity holders of the Company		**282,287**	64,670
Non-controlling interests		**1,873**	–
		284,160	64,670
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic	13	**1.45**	0.46
– Diluted	13	**0.87**	0.39

The notes on pages 105 to 216 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2020** **RMB'000**	 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**65,285**	39,854
Intangible assets	16	**367,056**	170,676
Investments accounted for using the equity method	14	**24,865**	31,067
Prepayments and other receivables	21(a)	**15,375**	32,279
Financial assets at fair value through profit or loss	19	**84,895**	41,046
Other non-current assets	17	**36,847**	90,450
Deferred tax assets	31	**15,082**	8,504
		609,405	413,876
Current assets			
Other current assets		**9,600**	46,698
Inventories		**16,220**	7,282
Trade receivables	20	**332,741**	43,528
Prepayments and other receivables	21(b)	**2,098,975**	1,159,213
Financial assets at fair value through profit or loss	19	**14,133**	–
Restricted cash	22	**–**	162,124
Cash and cash equivalents	22	**2,542,316**	441,315
		5,013,985	1,860,160
Total assets		**5,623,390**	2,274,036
EQUITY			
Share capital	23	**73**	31
Reserves	24	**2,759,130**	260,345
Retained earnings/(accumulated losses)		**360,584**	(815,872)
Equity/(deficit) attributable to equity holders of the Company		**3,119,787**	(555,496)
Non-controlling interests		**47,068**	–
Total equity/(deficit)		**3,166,855**	(555,496)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 RMB'000	 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	28(a)	**11,785**	56,880
Lease liabilities	27	**31,723**	17,568
Financial liabilities at fair value through profit or loss	30	**77,243**	1,373,447
Deferred tax liabilities	31	**11,295**	6,002
		132,046	1,453,897
Current liabilities			
Trade and other payables	28(b)	**2,035,399**	1,164,851
Contract liabilities	26	**26,508**	25,910
Current tax liabilities		**27,737**	38,162
Lease liabilities	27	**23,845**	10,212
Borrowings	29	**211,000**	136,500
		2,324,489	1,375,635
Total liabilities		**2,456,535**	2,829,532
Total equity and liabilities		**5,623,390**	2,274,036

The notes on pages 105 to 216 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 97 to 216 were approved and authorized for issue by the Board of Directors on 25 March 2021 and were signed on its behalf.

Liu Yingqi
Director

Yao Zhijian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to equity holders of the Company						
Balance at 1 January 2020		31	324,899	(64,554)	(815,872)	(555,496)	-	(555,496)
Profit for the year		-	-	-	438,907	438,907	1,873	440,780
Other comprehensive loss		-	-	(156,620)	-	(156,620)	-	(156,620)
Total comprehensive income		-	-	(156,620)	438,907	282,287	1,873	284,160
Transactions with owners								
Issuance of ordinary shares relating to an initial public offering, net of share issuance costs	23	20	1,617,727	-	-	1,617,747	-	1,617,747
Issuance of ordinary shares relating to placement, net of share issuance costs	23	4	655,596	-	-	655,600	-	655,600
Conversion of convertible redeemable preferred shares to ordinary shares	30	14	1,276,395	-	-	1,276,409	-	1,276,409
Share premium set off the accumulated losses and other reserves	24	-	(861,158)	87,235	773,923	-	-	-
Transfer shares to awardees of employee share scheme upon vesting	24	4	(174,907)	-	-	(174,903)	-	(174,903)
Non-controlling interests arising from business combinations	33	-	-	-	-	-	45,195	45,195
Employee share schemes value of employee services	32	-	18,143	-	-	18,143	-	18,143
Profit appropriations to statutory reserves	24	-	-	36,374	(36,374)	-	-	-
		42	2,531,796	123,609	737,549	3,392,996	45,195	3,438,191
Balance at 31 December 2020		73	2,856,695	(97,565)	360,584	3,119,787	47,068	3,166,855

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019		30	147,102	(44,561)	(900,535)	(797,964)	-	(797,964)
Profit for the year		-	-	-	84,663	84,663	-	84,663
Other comprehensive loss		-	-	(19,993)	-	(19,993)	-	(19,993)
Total comprehensive income		-	-	(19,993)	84,663	64,670	-	64,670
Transactions with owners								
Share issued for Tuozhanbao Internet Financial Service (Shenzhen) Co., Ltd ("Tuozhanbao") acquisition	33	3	236,657	-	-	236,660	-	236,660
Share repurchase	23	(2)	(68,521)	-	-	(68,523)	-	(68,523)
Employee share schemes value of employee services	32	-	9,661	-	-	9,661	-	9,661
		1	177,797	-	-	177,798	-	177,798
Balance at 31 December 2019		31	324,899	(64,554)	(815,872)	(555,496)	-	(555,496)

The notes on pages 105 to 216 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**14,043**	78,930
Interest received	7	**7,341**	1,466
Interest paid	11	**(9,822)**	(5,615)
Income taxes paid		**(16,652)**	(22,232)
Net cash (used in)/generated from operating activities		**(5,090)**	52,549
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(14,957)**	(8,487)
Payment for other non-current assets		**(23,778)**	(96,821)
Prepayment for investments	21 (a)	**(2,500)**	(30,000)
Payment for investments		**(18,535)**	–
Net cash acquired for business combinations	33	**24,061**	4,968
Payments for investment in associates		**(11,762)**	(9,358)
Amount due from Fushi Technology (Shenzhen) Co., Ltd. ("Fushi")		**(52,500)**	(5,000)
Amount received from Fushi		**17,500**	5,000
Purchase of wealth management products		**–**	(400,050)
Disposal of wealth management products		**–**	401,016
Net cash used in investing activities		**(82,471)**	(138,732)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares relating to initial public offering and placement	23	**2,348,906**	–
Proceeds from issuance of convertible redeemable preferred shares	30	**–**	43,891
Repurchase of convertible redeemable preferred shares	30	**–**	(52,356)
Repurchase of ordinary shares	23	**–**	(58,523)
Payments for listing expenses		**(68,555)**	(7,005)
Proceeds from bank borrowing and other payables		**230,000**	197,500
Repayments of borrowings and other payables		**(196,795)**	(68,600)
Payment of lease liabilities	27	**(14,302)**	(8,183)
Net cash generated from financing activities		**2,299,254**	46,724
Net increase/(decrease) in cash and cash equivalents		**2,211,693**	(39,459)
Cash and cash equivalents at beginning of year		**441,315**	479,839
Effects of exchange rate changes on cash and cash equivalents		**(110,692)**	935
Cash and cash equivalents at end of year		**2,542,316**	441,315

The notes on pages 105 to 216 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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 since 1 June 2020.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities set out in Note 1.2 (collectively, the "Group"), are principally engaged in the provision of payment services and technology-enabled business services to retail merchants and consumers in the People's Republic of China (the "PRC").

Mr. Liu Yingqi ("Mr. Liu"), a PRC citizen, is the ultimate controlling shareholder of the Company.

The financial statements for the year ended 31 December 2020 are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated. The financial statements for the year ended 31 December 2020 have been approved for issue by the Company's board of directors (the "Board") on 25 March 2021.

1 GENERAL INFORMATION *(Continued)*

1.2 Information about subsidiaries

Particulars of the principal subsidiaries (including structured entities) of the Group as at 31 December 2020 and 2019 are set out below:

Company Name	Place and date of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Equity/beneficial interest held as at 31 December 2020 %	2019 %	Notes
Directly interest							
Yeahka Technology Limited	Hong Kong/limited liability company	7 October 2011	Investment Holding/ Hong Kong	HKD-/ HKD100	100%	100%	
Clear Joyous Global Limited ("Clear Joyous")	British Virgin Islands/ limited liability company	25 March 2019	Investment Holding/ British Virgin Islands	USD2/ USD50,000	100%	100%	
Indirectly interest							
Yeahka Technology (Shenzhen) Co., Ltd. ("Yeahka WFOE")	PRC/wholly foreign owned enterprise	17 May 2012	Investment Holding/PRC	USD52,069,736/ USD100,000,000	100%	100%	
Shenzhen Yeahka Technology Co., Ltd. ("Shenzhen Yeahka") * 深圳市移卡科技有限公司	PRC/limited liability company	16 June 2011	Payment terminal and mobile payment services/PRC	RMB200,000,000/ RMB200,000,000	100%	100%	(a)(c)
Leshua Technology Co., Ltd.* 樂刷科技有限公司 ("Leshua")	PRC/limited liability company	31 July 2013	Payment terminal and mobile payment services/PRC	RMB101,000,000/ RMB101,000,000	100%	100%	(a)(c)
Shenzhen Qianhai Saosao Technology Co., Ltd.* 深圳市前海掃掃科技有限公司	PRC/limited liability company	13 September 2016	Marketing service/PRC	RMB5,500,000/ RMB200,000,000	100%	100%	
Shenzhen Leshou Cloud Technology Co., Ltd.* ("Leshou") 深圳市樂售雲科技有限公司	PRC/limited liability company	28 April 2014	Software as a service ("SaaS") service /PRC	RMB15,400,000/ RMB15,400,000	100%	100%	
Shenzhen Zhizhanggui Cloud Service Co., Ltd.* 深圳市智掌櫃雲服務有限公司	PRC/limited liability company	23 June 2017	SaaS service/PRC	RMB10,000,000/ RMB10,000,000	100%	100%	
Shenzhen Feiquan Cloud Data Service Co., Ltd.* 深圳市飛泉雲數據服務有限公司	PRC/limited liability company	23 February 2016	Fintech service/PRC	RMB105,337,000/ RMB300,000,000	100%	100%	
Shenzhen Qianhai Feiquan Commercial Factoring Co., Ltd.* 深圳前海飛泉商業保理有限公司	PRC/limited liability company	10 October 2016	Fintech service/PRC	RMB60,000,000/ RMB60,000,000	100%	100%	

1 GENERAL INFORMATION *(Continued)*

1.2 Information about subsidiaries *(Continued)*

Particulars of the principal subsidiaries (including structured entities) of the Group as at 31 December 2020 and 2019 are set out below: *(Continued)*

Company Name	Place and date of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Equity/beneficial interest held as at 31 December 2020 %	2019 %	Notes
Expanded Treasure Technology Limited ("Expanded Treasure")	Hong Kong/limited liability company	24 April 2019	Investment Holding/ Hong Kong	HKD-/HKD1	100%	100%	
Guangzhou Feiquan small loan Co., Ltd.*廣州飛泉小額貸款有限公司	PRC/limited liability company	30 July 2019	Fintech service/PRC	RMB200,000,000/ RMB200,000,000	100%	100%	(a)(c)
Shenzhen Letuobao Technology Co., Ltd., ("Letuobao") * 深圳樂拓寶科技有限公司	PRC/limited liability company	1 August 2019	Marketing services/PRC	USD-/ USD2,000,000	100%	100%	
Beijing Chuangxinzhong Technology Co., Ltd. ("Chuangxinzhong") * 北京創信眾科技有限公司	PRC/limited liability company	12 March 2018	Marketing services/PRC	RMB2,869,286/ RMB11,869,286	42.5%	N/A	
Tianjin Chuangxinzhong Technology Co., Ltd. * 天津創信眾科技有限公司	PRC/limited liability company	26 April 2020	Marketing services/PRC	RMB10,000,000/ RMB10,000,000	42.5%	N/A	
Shenzhen Leshua Shangquan Technology Co., Ltd. ("Leshua Shangquan") * 深圳市樂刷商圈科技有限公司	PRC/limited liability company	20 February 2020	Platform service/PRC	RMB10,000,000/ RMB10,000,000	55%	N/A	
Yunnan Trust - Star No.2005 Aggregated Fund Trust Scheme (the "Trust") * 雲南信託星辰2005號集合資金信託計劃	PRC/structured entity	22 August 2019	Investment in debts/PRC	RMB50,000,000	N/A	100%	(b)(c)
Yunnan Trust - Star No.2001 Aggregated Fund Trust Scheme (the "Trust") * 雲南信託星辰2001號集合資金信託計劃	PRC/structured entity	21 July 2020	Investment in debts/PRC	RMB28,000,000	100%	N/A	(b)(c)
Yeah United Holding Limited	British Virgin Islands/ limited liability company	6 November 2019	Employee Trust/ British Virgin Islands	USD-/USD1	100%	100%	(c)
Yeah Talent Holding Limited	British Virgin Islands/ limited liability company	6 November 2019	Employee Trust/ British Virgin Islands	USD-/USD1	100%	100%	(c)

1 GENERAL INFORMATION *(Continued)*

1.2 Information about subsidiaries *(Continued)*

(a) The regulations in the PRC restrict foreign investments in companies that provide value-added telecommunication services, payment services and micro-credit businesses, which include certain activities and services operated by the Group through Shenzhen Yeahka and its subsidiaries, which are companies incorporated in the PRC and controlled by Mr Liu. In order to enable certain foreign companies to make investments into these businesses of the Group, Yeahka WFOE was established in May 2012 in the PRC, which entered into contractual arrangements with Shenzhen Yeahka and its then registered owners in order to gain management control over, and enjoys all economic benefits of Shenzhen Yeahka through a series of contractual arrangements. The details of those contractual arrangements are set out in Note 2.2.1(a). Through these contractual arrangements, the Company is able to effectively control, recognise and receive substantially all the economic benefits and operations of the Shenzhen Yeahka and its subsidiaries. Accordingly, these PRC entities are treated as structured entities controlled by the Company and the financial positions and results of operations of these PRC entities have been consolidated based on the respective dates when the Company first obtained control.

(b) The Group provides small-sized loans to merchants and consumers through certain trusts (the "Trusts"). The trusts are financed through the issue of units to investors. From the perspective of control assessment under IFRS 10, the directors of the Company (the "Directors") consider that the Group has the power over the relevant activities of the Trusts, receives variable return from its involvement in the Trusts, and has the ability to affect its return through its power over the Trusts. Accordingly, the Group has control over the Trusts which is presented as controlled structured entities for accounting purpose. Due to the consolidation of the Trusts, the Group recognized loan receivables, being principal and related interest, amounting to approximately RMB112,059,000 (2019: RMB242,615,000) under "Prepayment and other receivables" (Note 21 (b)), approximately RMB83,643,000 (2019: RMB40,366,000) under "deposits placed with financial institution" (Note 21(b)), and payables to creditors amounting to approximately RMB6,582,000 (2019: RMB38,738,000), being principal and related interest, under "Trade and other payables" (Note 28(b)), respectively, as at 31 December 2020.

(c) All these entities are structured entities for the Group.

* The English names of companies established in the PRC are translations of their Chinese names at the best effort of the Directors as they do not have official English names.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

(a) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New standards, amendments and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective at 1 January 2020 and not been early adopted by the Group during the year are as follows:

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and International Accounting Standards ("IAS") 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 17 Insurance Contracts	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Proceeds before intended use – Amendments to IAS 16	Property, Plant and Equipment	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020		1 January 2022

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of performing preliminary assessment upon adopting these standards, amendments and interpretations to the existing IFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, accounting policies by subsidiaries have been changed to conform to the Group's accounting policies.

(a) Subsidiaries controlled through contractual arrangements

As described in Note 1.2(a), Yeahka WFOE has entered into the contractual arrangements with Shenzhen Yeahka and its registered shareholders which enable Yeahka WFOE and the Group to:

- Exercise effective control over Shenzhen Yeahka;
- Exercise equity holders' voting rights of Shenzhen Yeahka;
- Receive substantially all the economic interests and returns generated by Shenzhen Yeahka and its subsidiaries in consideration for technical support, consulting and other services provided exclusively by Yeahka WFOE, at Yeahka WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Shenzhen Yeahka from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Shenzhen Yeahka shall return the amount of purchase consideration they have received to Yeahka WFOE. At Yeahka WFOE's request, the registered shareholders of Shenzhen Yeahka will promptly and unconditionally transfer their respective equity interests in Shenzhen Yeahka to Yeahka WFOE (or its designee within the Group) after Yeahka WFOE exercises its purchase right.
- Obtain pledges over the entire equity interests in Shenzhen Yeahka from its registered shareholders to secure, among others, performance of their obligations under the contractual arrangements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(c) Business Combinations

The acquisition method of accounting is used to account for all business combinations other than under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(c) Business Combinations *(Continued)*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee and the share of other comprehensive income of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profits/(losses) of investments accounted for using the equity method" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gain or losses on dilution of equity interest in associates are recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("Functional Currency"). The Functional Currency of the Company is United States dollars. Group companies including Yeahka WFOE and Structured Entities were incorporated in the PRC and these entities considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented its consolidated financial statements in RMB(unless otherwise stated).

(b) Transactions and balances

Transactions in a currency other than Functional Currency are translated into Functional Currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss within "finance costs". All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of profit or loss within "other (losses)/gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the consolidated statement of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income ("FVOCI"), are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting currency translation differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Equipment	3 years
Motor	5 years
Leasehold improvements	shorter of estimated useful life or remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "other (losses)/gains, net" in the consolidated statement of comprehensive income.

Right-of-use assets included the rights to use certain properties, plant and machinery under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date,
- any initial direct costs, and
- restoration costs.

If the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date of the lease to the end of the useful life of the underlying assets. Otherwise, right-of-use assets are depreciated over the shorter of the assets' useful lives and their lease terms on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Other intangible assets

Other intangible assets are initially recognized and measured at cost or fair value if they are acquired in business combinations. Other intangible assets are amortized over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortizes intangible assets with indefinite useful life using the straight-line method over the following periods:

• Software	3 years
• Customer relationship	3 years and 5 years
• Platform	2 years
• Brand name	3 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets *(Continued)*

(c) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the software product so that it will be available for use; (2) management intends to complete the software product and use or sell it; (3) there is an ability to use or sell the software product; (4) it can be demonstrated how the software product will generate probable future economic benefits;(5) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (6) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. There were no development costs meeting these criteria and capitalized as intangible assets for the years ended 31 December 2020 and 2019.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 18 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.2 Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses, if any, are presented as separate line item in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "other (losses)/gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains – net" and impairment expenses, if any, are presented as separate line item in profit or loss.

- Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other (losses)/gains – net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.2 Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other (losses)/gains – net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.8.3 Impairment

The Group has following assets subject to IFRS 9's new expected credit loss model:

- Trade and other receivables;
- Restricted cash;
- Cash and cash equivalents;
- Financial guarantee contracts.

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

The Group assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.3 Impairment *(Continued)*

Impairment on other receivables is measured as either 12-month ECL 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 ECL. To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of financial assets is described in Note 3.1(b).

2.8.4 Derecognition

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.4 Derecognition *(Continued)*

Financial assets *(Continued)*

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.8.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

2.8.6 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.9 Trade and other receivables

Trade and other receivables mainly consist of receivables from payment networks, commission receivables, loan receivables, lease deposits, etc. If collection of other receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.8.3 for a description of the Group's impairment policy for trade and other receivables.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Share capital

Ordinary shares are classified as equity. Preferred Shares are classified as liabilities (see Note 2.15).

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables mainly consist of deposits and entry fees received from distribution channels and amounts payable to merchants.

The Group receives from distribution channels two payments during the course of business: (1) an upfront refundable deposit and (2) an upfront non-refundable entry fees upon they sign up the service agreements with the Group. The Group, in return, shares its payment service revenue with distribution channels in the form of commissions in accordance with the terms of the service agreements. The upfront deposit is recorded as a liability of the Group and it is refundable to the distribution channels upon, they terminate the distribution service agreement or upon expiry of the contractual service period. The entry fees from distribution channels is credited into income statement to off-set against the commission paid/payable to distribution channels based on a straight-line method over the contractual period of the service agreements of 3 years.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.15 Preferred shares

The Group issued convertible preferred shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares of the Company. The convertible preferred shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates Preferred Shares as financial liabilities at fair value through profit or loss. Preferred Shares are classified as non-current liabilities or current liabilities depending on whether the preferred shares holders can demand the Company to redeem the Preferred Shares for cash at least 12 months after the end of the reporting period or not. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive income.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in profit or loss.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Current and deferred income tax *(Continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits *(Continued)*

(d) Share-based benefits

As disclosed in Note 32, the Group operates several equity-settled share-based compensation plans (including share option scheme and share award scheme), under which the Group receives services from its employees in exchange for the equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);

- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and retention periods of an employee of the entity over a specified time period); and

- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognized for that award, as at the date of forfeiture, is treated as if it had never been recognized. At the same time, any expense previously recognized on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits *(Continued)*

(d) Share-based benefits *(Continued)*

At the end of each period, the entity revises its estimates of the number of options or restricted share units that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment made to equity.

2.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group recognizes revenue at a point in time when the customer obtains control of the goods and services under IFRS 15.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The accounting policy for the Group's revenue sources

The Group principally derives revenue from one-stop payment services and technology-enabled business services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(a) One-stop payment services

The Group provides one-stop payment services to merchants for their accepting non-cash payments from consumers, by connecting merchants with the payment networks.

The Group adopts various sales channels to promote their business, including the use of distribution channels and direct marketing. The payment terminals delivered to the merchants or distribution channels are not considered as a distinct performance obligation as the payment services are required to continually interact with the payment terminals provided to the merchants in order for the Group to provide its payment service to the merchants.

The Group assessed that payment services rendered to the merchants is recognised at a point in time, upon completion of the payment service for each transaction.

Service revenue is recognised for each payment transaction handled by the Group at an amount calculated based on the total payment value made by the consumers and the respective applicable service fee rate, net of interchange fees levied by various third-party payment networks.

The service fee rate is determined based on the agreements entered between the Group and the merchants.

The Group considered that it acts as a principal in offering payment services to the merchants as the Group (1) is the primary obligor in the arrangement; (2) has latitude in establishing the selling price, i.e. service fee rate; and (3) has involvement in the determination of product or services specifications;. and (4) has discretion in the selection of distribution channels to assist its payment services and to maintain relationship with its merchants and to handle their enquiries about the services. The Group shares its service revenue with distribution channels in accordance with the service agreements entered into with them and the related commissions are recognised as its cost of revenue of the payment services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(b) Technology-enabled business services

Leveraging on the established customer base with merchants for the one-stop payment services, the Group also provides a series of value added technology-enabled business services such as (1) provision of various SaaS products with scenario-specific functionalities integrated with the payment services; (2) provision of online or off-line marketing services to customers; (3) provision of technology services to insurance companies through the Group's technology platform; and (4) provision of small-sized loans by the Group itself or through the cooperation with banks and trust companies.

Revenues for (1), (2) and (3) are recognized at a point of time when products and services are delivered; while interest income for (4) is recognised based on the pre-determined borrowing rates over the respective loan periods.

The determination of revenues for (2) should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in IFRS15. Such determination involves judgment and is based on an evaluation of the terms of each arrangement as follows:

(i) Marketing revenue

The Group generates revenue from providing comprehensive advertisement placement services to the advertisers. The Group charges the advertisers based on Cost per click ("CPC"), specified action such as download, installation, registration of the mobile device users (cost per action or CPA), and the amount charged by media publishers or advertising agents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(b) Technology-enabled business services *(Continued)*

(i) Marketing revenue *(Continued)*

The Group is considered as the principal in offering advertising services because the Group (1) obtains control of the right to the advertising service and directs that service to be provided on the Group's behalf. The Group has the discretion to decide which media publishers or advertising agents to use, what types of the advertisements and how to be placed. (2) is primarily responsible for producing the advertisements and bears the inventory risk. If the advertisements do not perform well or breach the advertising regulation, the Group has to undertake the additional cost of reproduction and compensate the advertisers for all their losses. (3) has the discretion in determining how much to pay the media publishers or advertising agents based on service fee rate agreed with the media publishers or advertising agents. (4) In some instances, is subject to certain risk of loss to the extent that the cost paid to the media publishers or advertising agents cannot be compensated by the total consideration obtained from the advertisers according to acquisition of specific action or sales transaction. This is like inventory risk. Therefore, the Group reports revenue earned from the advertisers and costs paid to the media publishers or advertising agents related to these transactions on a gross basis.

(ii) Advertising referral fees

Under this arrangement, the Group charges the advertisers based on the cost charged by media publishers or advertising agents.

The Group is considered as an agent in this arrangement because the Group does not control a specified service before that service is delivered to an advertiser. The Group (1) does not have the latitude to select media publisher which is designated in the contract with the advertiser; (2) does not own the media advertisement space, and does not have any commitments to purchase the advertising space, and therefore does not have inventory risk, and (3) the Group charges the advertisers based on amount charged by the media publishers and advertising agents, which is the same pricing mechanism that the media publishers or advertising agents charge the Group. Therefore, the Group reports the amount received from the advertisers and the amounts paid to the media publishers or advertising agents related to these transactions on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(c) Contract liabilities

The Group occasionally charges merchants one-off and upfront Entry Fees ("Entry Fees") for their future use of the Group's payment services. The Group initially records Entry Fees as a contract liability and then recognizes it as revenue rateably over the estimated average service relationship period of the merchants. the estimated average service relationship period is within 1 year.

The Group also sells promotion coupons to some merchants, which enable the merchants to use them to offset the payment service charges payable to the Group for the one-stop payment services. The coupons are sold at a price lower than their respective face value. The amounts received/receivable from the merchants are recorded as a contract liability and it is then recognised as revenue when the coupon value is utilised by the merchants to offset the payment service charges payable to the Group.

If a customer pays consideration for online marketing, intermediary marketing service or the Group has a right to an amount of consideration that is unconditional, before the Group transfers online marketing, intermediary service to the customer, the Group has a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer.

The Group applies the practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(d) Contract fulfilment costs

Contract fulfilment costs primarily consist of costs of payment terminals, which are installed in merchants' retail shops/venues in conjunction with the offering of the Group's one-stop payment services. They are amortised using a straight-line method over the expected benefit period of 3 years for the use of payment terminals.

(e) Financing components

The Group does not expect to have any contracts enacted with customers with material consideration where the period between the transfer of the promised goods or service to the customer and payments received/receivable by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.21 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of one to five years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets (included in properties, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The depreciation of right-of-use asset is calculated using the straight-line method to allocate their cost to their residual values over remaining lease terms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Leases *(Continued)*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the entity's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise machinery with value below RMB35,000.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO of the Company that makes strategic decisions.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management Programme 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.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from recognized assets and liabilities in currency other than the group entities' respective functional currency and net investments in foreign operations.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2020 and 2019.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group currently has not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

As at 31 December 2020 and 2019, all of the borrowings were in short-term. Bank borrowing were bearing with variable rates and other borrowings were bearing with fixed rates.

Sensitivity

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest rates – increase by 100 basis points	**(1,849)**	(1,479)
Interest rates – decrease by 100 basis points	**1,849**	1,479

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade and other receivables. Starting from the last quarter in 2019, 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 lenders, the Group will be responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the lenders to certain of the Group's loan facilitation partners.

(i) Risk management

For cash and cash equivalents and restricted cash, management manages the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks, financial institutions having high-credit-quality in the PRC, Hong Kong and Cayman Island.

For trade and other 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.

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

As at 31 December 2020, the maximum exposure arisen from the provision of financial guarantee to certain loan facilitation parties amounted to approximately RMB67.8 million (2019: RMB7.2 million), being the principals and interests of the underlying loans which were granted by the Group's loan facilitation partners by or after mid of December 2020 with terms from 3 to 12 months. As at 31 December 2020, about RMB1.5 million (2019: Nil) of the underlying loans from these financial guarantees were overdue and underperforming. Based on management's credit risk assessment, the corresponding expected credit loss provision was not material and therefore no financial guarantee liability was recognised in the Group's consolidated statement of financial position as at 31 December 2020 (2019: Nil).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was considered to be immaterial. Therefore, no provision was recognised.

Impairment of trade receivables

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

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days the balances are past due. The credit period granted to the customers is usually no more than 90 days and 180 days, respectively, to advertisers and other customers. The credit quality of these customers is assessed, which takes into account past experience and other factors. As to the balances as at 31 December 2019 and 2020, the Directors considered their short aging and assessed that the credit risk is not significant. Therefore, the related loss allowance is immaterial and no ECL were recognised.

Impairment of other receivables

Other receivables are subject to the ECL model. The Group's other receivables comprise receivable from payment networks, loan receivables, amounts due from related parties and deposits. The Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third-party debtor's ability to meet its obligations;

- actual or expected significant changes in the operating results of the third-party debtor;

- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Impairment of other receivables *(Continued)*

All amounts due from related parties are all repayable on demand. Except for the impairment identified in amount due from Chaomeng Financial Technology (Shenzhen) Co., Ltd ("Chao Meng") and the provision being made (Note 21 (b)(iv)), there has been no default history in the past and the related loss allowance limited to 12 months ECL is immaterial.

Receivables from payment networks are settled within several days and most of the deposits are made to payment networks or financial institution. The Group is exposed to limited credit risk from such receivable balances and there is no significant increase in credit risk since initial recognition, therefore related loss allowance limited to 12 months ECL is immaterial.

The movements of impairment of loan receivables and the Group's exposure to credit risk are disclosed in Note 21(b(iii)).

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity grouping, based on the remaining period at each balance sheet date as compared to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Trade payables	**240,241**	**-**	**-**	**-**	**240,241**
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels, individual income tax payables and other taxes payable)	**1,591,722**	**-**	**-**	**-**	**1,591,722**
Lease liabilities	**26,548**	**21,735**	**11,990**	**-**	**60,273**
Borrowings and interest payment	**216,990**	**-**	**-**	**-**	**216,990**
Financial liabilities at fair value through profit or loss	**-**	**-**	**77,243**	**-**	**77,243**
Financial guarantee (Note 3.1 (b)(i))	**67,780**	**-**	**-**	**-**	**67,780**
	2,143,281	**21,735**	**89,233**	**-**	**2,254,249**
As at 31 December 2019					
Trade payables	74,112	-	-	-	74,112
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels, individual income tax payables and other taxes payable)	1,054,453	-	-	-	1,054,453
Lease liabilities	11,727	12,052	6,476	-	30,255
Borrowings and interest payment	140,919	-	-	-	140,919
Financial liabilities at fair value through profit or loss	-	-	606,744	-	606,744
Financial guarantee (Note 3.1 (b)(i))	7,200	-	-	-	7,200
	1,288,411	12,052	613,220	-	1,913,683

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of directors of the Company, the Group has operating profits and a low level of indebtedness. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 and 2019 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).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	**14,133**	**–**	**84,895**	**99,028**
Liabilities				
Contingent consideration	**–**	**–**	**77,243**	**77,243**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	–	–	41,046	41,046
Liabilities				
Preferred shares	–	–	1,373,447	1,373,447

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the years ended 31 December 2020 and 2019, there was no transfer between level 1 and 2 for recurring fair value measurements. The significant unobservable inputs used to determine the fair value and the fair value changes in level 3 financial instruments during the years ended 31 December 2020 and 2019 are presented in Notes 19, 30 and 33.

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 once year.

At each financial year end the finance department:

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

Changes in Level 3 fair values are analysed at each reporting date during the yearly 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, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Business combinations

Business combinations other than under common control are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired, customer relationship, platform, brand name and determination of goodwill is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model of the acquired business and the industry comparisons. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material. Details disclosed in Note 16 and Note 33.

(b) Estimates of service relationship period in the Group's payment services

As described in Note 2.19, the Entry Fees received from merchants are recognised in payment service revenue rateably over the estimated average service relationship. The determination of average service relationship is made based on the Group's best estimation that considers all known and relevant information at the time of assessment. Such estimates are subject to re-valuation on annual basis. Any adjustments arising from changes in the service relationship period as a result of new information will be accounted for as a change in accounting estimate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Current income taxes and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(d) Expected credit loss for trade and other receivables

The impairment provisions for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 20(c) and Note 21(b). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

(e) Recognition of share-based compensation expenses

The fair value of options is determined by the binomial option-pricing model at the grant date and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including risk-free interest rate, expected volatility and dividend yield are made by the directors with the assistance of an independent valuer.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Contractual arrangement for structured entities

As disclosed in Note 2.2.1, the Group conducts certain part of its business through Shenzhen Yeahka and its subsidiaries. Due to the regulatory restrictions on the foreign ownership in the PRC, the Group does not have any equity interest in the Shenzhen Yeahka. The Directors assessed whether or not the Group has control over Shenzhen Yeahka and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Shenzhen Yeahka and its subsidiaries and has the ability to affect those returns through its power over Shenzhen Yeahka and its subsidiaries. After assessment, the Directors concluded that the Group has control over Shenzhen Yeahka and its subsidiaries as a result of the contractual arrangements. Accordingly, the financial position and the operating results of Shenzhen Yeahka and its subsidiaries are included in the Group's consolidated financial statements since the respective dates of incorporation. Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shenzhen Yeahka and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shenzhen Yeahka and its subsidiaries. The directors of the Group, based on the advice of its legal counsel, consider that the contractual arrangements among Yeahka WFOE Shenzhen Yeahka and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(g) Fair value measurement of financial assets and liabilities at fair value through profit or loss

The fair value assessment of financial assets and liabilities at fair value through profit or loss that are measured at level 3 fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions disclosed in Notes 19, 30 and 33.

5 SEGMENT INFORMATION

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

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

6 REVENUE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
One-stop payment services	**1,829,409**	2,081,051
Technology-enabled business services	**463,494**	176,968
Total revenue	**2,292,903**	2,258,019

For the years ended 31 December 2020 and 2019, interest income from entrusted loans and small-sized retail loans amounting to approximately RMB47,850,000 and approximately RMB34,121,000, respectively, are included in revenue derived from technology-enabled business services. Except for interest income mentioned above, revenues of the Group are recognized at a point in time according to the provision prescribed under IFRS 15.

7 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants	**6,141**	3,517
Interest income from loans to an associate (Note 35(b(iii)))	**457**	–
Interest income from bank deposits	**6,884**	1,466
	13,482	4,983

8 OTHER GAINS, NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gains on deemed disposal of an associate (Note 14(g), (d))	**20,000**	2,217
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**9,831**	(530)
Exchange losses	**(2,152)**	–
Gains on investments in wealth management products	**–**	966
Loss on disposal of property, plant and equipment	**–**	(6)
Others	**517**	275
	28,196	2,922

9 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Commissions and marketing costs	**1,433,606**	1,480,894
Employee benefit expenses (Note 10(a))	**197,743**	147,383
Advertising and promotion expenses	**35,073**	33,663
Amortization of non-current assets	**57,366**	57,459
Raw materials and consumables	**28,352**	11,479
System development, consulting and data validation	**22,661**	14,387
Outsourcing service fees	**22,167**	5,220
Depreciation of property, plant and equipment	**19,462**	12,232
Office expenses	**16,328**	12,898
Amortization of intangible assets	**12,309**	6,305
Rental expense relating to short-term leases	**10,125**	8,631
Professional service fees	**8,895**	3,984
Merchants validation fee	**5,073**	2,735
Auditor's remuneration	**4,914**	1,048
Travel and transportation	**4,027**	5,805
Levies and surcharges	**2,549**	5,609
Impairment of investment in an associate (Note 14)	**4,000**	3,413
Processing fees to payment networks	**14**	35,983
Listing expenses	**27,496**	25,171
Others	**19,806**	11,518
	1,931,966	1,885,817

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(a) Employee benefit expenses are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**156,893**	117,100
Welfare, medical and other expenses	**13,019**	10,971
Defined contribution plan	**9,666**	9,312
Termination benefits	**22**	339
Employee share schemes		
– value of employee services	**18,143**	9,661
	197,743	147,383

Majority of the Group's defined contributions plans, welfare, medical and other expenses are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2020 and 2019 include 3 and 1 director(s) respectively, whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 2 and 4 individuals during the years ended 31 December 2020 and 2019, are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**4,122**	7,326
Welfare, medical and other expenses	**32**	71
Defined contribution plan	**43**	100
Employee share schemes		
– value of employee services	**64**	3,341
	4,261	10,838

During the years ended 31 December 2020 and 2019, no director or the five highest paid individuals received or receivable of any emolument from the Group as an inducement to join or upon joining the Group, leave the Group or as compensation for loss of office.

(c) The emoluments of those individuals fell within the following bands:

	Year ended 31 December	
	2020	2019
Emolument band		
HKD 1,500,001 – HKD 2,000,000	**–**	1
HKD 2,000,001 – HKD 2,500,000	**1**	2
HKD 2,500,001 – HKD 3,000,000	**1**	–
HKD 3,500,001 – HKD 4,000,000	**–**	1
	2	4

11 FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance expenses		
– Interest expense on borrowings	**7,895**	4,379
– Interest expense on lease liabilities (Note 27(b))	**1,927**	1,236
	9,822	5,615

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax	**23,042**	40,503
Deferred income tax	**(9,360)**	25,873
	13,682	66,376

12 INCOME TAX EXPENSES *(Continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended 31 December 2020 and 2019, being the standard income rate in the PRC. The differences are analyzed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax:	**454,462**	151,039
Tax calculated at tax rate of 25%	**113,616**	37,760
Tax effects of:		
– Different income tax rates applicable to subsidiaries	**(59,795)**	653
– Research and development super deduction	**(12,988)**	(9,130)
– Income not taxable	**(38,913)**	–
– Expenses not deductible for tax purpose	**15,760**	48,731
– Utilization of previously unrecognized tax losses	**(1,328)**	(17,927)
– Deferred tax benefits not recognized	**7,765**	3,759
– Losses attributable to associates	**2,344**	2,530
– Recognition of previously unrecognized in relation to tax losses and allowance for impairment of loan receivables	**(12,779)**	–
	13,682	66,376

12 INCOME TAX EXPENSES *(Continued)*

(a) Cayman Islands and British Virgin Islands corporate income tax

Under the current laws of Cayman Islands and the British Virgin Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profits up to HKD2,000,000; and 16.5% on any part of the estimated assessable profits over HKD2,000,000 for the years ended 31 December 2020 and 2019.

(c) PRC CIT

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended 31 December 2020 (2019: 25%).

Shenzhen Yeahka had applied to the relevant tax bureau and was granted the qualification as "High and New Technology Enterprise" ("HNTE") in October 2018. As a result, it is subject to a preferential CIT rate of 15% for a 3-year period from 2018 to 2020.

Leshua had applied to the relevant tax bureau and was granted the qualification as HNTE in October 2017 and renewed in December 2019, as a result, it is subject to a preferential CIT rate of 15% for a 5-year period from 2017 to 2021.

Letuobao had obtained the relevant approval from relevant tax bureau as "Software Enterprise" in November 2020. Therefore, Letuobao was exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates (i.e.12.5%) for the following three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years. Its first profit making year was 2019, thus the tax exemption period for Letuobao was from 1 January 2019 to 31 December 2020.

Chuangxinzhong had obtained the relevant approval from relevant tax bureau as "Software Enterprise" in April 2020. Therefore, Chuangxinzhong was exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates (i.e.12.5%) for the following three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years. Its first profit making year was 2019, thus the tax exemption period for Chuangxinzhong was from 1 January 2019 to 31 December 2020.

12 INCOME TAX EXPENSES *(Continued)*

(d) Research and development super deduction

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses before 2018 and 175% since 2018 so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits.

(e) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

13 EARNINGS PER SHARE

As at 30 April 2020, pursuant to a shareholders' resolution of the Company passed, each then existing issued and unissued share of US$0.0001 each in the then share capital of the Company were subdivided into 4 shares of US$0.000025 each. Following the share subdivision, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2020 and 2019 has been retrospectively adjusted.

(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 years.

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (in RMB thousands)	**438,907**	84,663
Weighted average number of ordinary shares in issue (in thousands) (i)	**303,327**	184,372
Basic earnings per share (expressed in RMB per share)	**1.45**	0.46

(i) Weighted average number of ordinary shares in issue for the year ended 31 December 2020 has been determined based on the number of shares in issue, after considering the effect of 174,520,725 shares subdivision, 110,126,400 shares issued relating to initial public offering, 83,384,372 shares issued relating to conversion of preferred shares to ordinary shares, 27,459,759 shares transfers from restricted share scheme units to the awardees upon vesting and 20,795,052 shares issued relating to placement.

13 EARNINGS PER SHARE *(Continued)*

(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 that may affect the calculation of diluted earnings per shares: convertible redeemable preferred shares, share options/restricted share issued to employees and returnable ordinary shares issued for the acquisition of Tuozhanbao as mentioned in Note 33.

During the years ended 31 December 2019, the convertible redeemable preferred shares were anti-dilutive due to their conversion to ordinary shares would increase the earnings per share. For the year ended 31 December 2020, these convertible redeemable preferred shares which had potential dilutive effect to the diluted earnings per share has been converted to ordinary shares of the Company.

For the returnable ordinary shares issued in 2019 for the acquisition of Tuozhanbao as described in Note 33, only the portion of unreturnable shares was included in the calculation of diluted earnings per share as if 31 December 2020 were the ending of the contingency period.

For the year ended 31 December 2020 and 2019, restricted share granted by the Group have potential dilutive effect to the diluted earnings per share.

13 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

After considering all of the above factors, for year ended 31 December 2020, the diluted earnings per share is RMB0.87 per share; while for year ended 31 December 2019, the diluted earnings per share is RMB0.39 per share.

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (in RMB thousands)	**438,907**	84,663
Adjustments for vested restricted share units in the year (in thousands)	**4,662**	–
Adjustments for the convertible redeemable preferred shares (in thousands)	**(125,822)**	–
Adjusted profit attributable to equity holders of the Company	**317,747**	84,663
Weighted average number of ordinary shares in issue (in thousands)	**303,327**	184,372
Adjustments for returnable ordinary shares (in thousands)	**7,689**	1,372
Adjustments for unvested restricted share units (in thousands)	**17,562**	32,295
Adjustments for the convertible redeemable preferred shares (in thousands)	**34,630**	–
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in thousands)	**363,208**	218,039
Diluted earnings per share (expressed in RMB per share)	**0.87**	0.39

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**31,067**	37,426
Additions	**11,762**	9,358
Share of losses	**(13,964)**	(14,521)
Deemed disposal from an associate	**–**	2,217
Provision for impairment	**(4,000)**	(3,413)
At the end of the year	**24,865**	31,067

Set out below are the associates and joint venture of the Group as at 31 December 2020 and 2019, which, in the opinion of the directors, none of the associates or joint venture was individually significant to the Group. The associates and joint venture as listed below have capital consisting solely of ordinary shares. The proportion of ownership interest is the same as the proportion of voting rights held.

The Group determined that it possesses significant influence in these companies by having a representative sitting at their boards of directors. The associates and joint venture as listed below are private companies and there are no quoted market prices available for their shares. There were no contingent liabilities relating to the Group's interest in the associates and joint venture as at 31 December 2020 and 2019.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Company name	Date of incorporation yyyy/mm/dd	Registered Capital (RMB)	Percentage of ownership interest attributable to the Group 31 December 2020 %	2019 %	Principal activities and place of operation
Shenzhen Xunxiang Technology Co., Ltd.* (深圳市迅享科技有限公司) ("Xun Xiang") (Note(a))	2013/7/23	RMB1,000,000	**10.00%**	10.00%	Mobile payment/PRC
Chao Meng* (Note(b))	2016/7/23	RMB22,222,220	**10.00%**	10.00%	Mobile payment/PRC
Shenzhen Baida Technology Co., Ltd.* (深圳市百答科技有限公司) (Note(c))	2012/10/26	RMB10,000,000	**10.00%**	10.00%	Software design and technology development/PRC
The World is Flat (Cayman) Corporation (Note(d))	2017/9/1	USD50,000	**4.81%**	5.00%	Mobile payment/PRC
RYK Capital Partners Limited (Note(e))	2019/3/6	HKD122,500,000	**10.00%**	10.00%	Investment Holding/ Hong Kong
Fushi *(深圳市富匙科技有限公司) (Note(f))	2016/4/12	RMB17,490,847	**44.51%**	44.51%	Mobile payment/PRC
Leshua Shangquan* 深圳市樂刷商圈科技有限公司 (Note(g))	2020/2/20	RMB10,000,000	**N/A**	N/A	Platform services/PRC

* For identification only

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) In February 2015, the Group invested 10% interest in Xun Xiang for a cash consideration of RMB1 million and obtained significant influence over Xun Xiang through board representation. Accordingly, Xun Xiang became an associate of the Group accounted for using the equity method.

(b) In May 2018, the Group invested 10% interest in Chao Meng for a cash consideration of RMB30 million and obtained significant influence over Chao Meng through board representation. Accordingly, Chao Meng became an associate of the Group accounted for using the equity method.

(c) In April 2018, the Group invested 10% interest in Shenzhen Baida Technology Co., Ltd. for a cash consideration of RMB5 million and obtained significant influence over Shenzhen Baida Technology Co., Ltd. through board representation. Accordingly, Shenzhen Baida Technology Co., Ltd. became an associate of the Group accounted for using the equity method.

(d) In September 2017, the Group invested 6.25% interest in The World is Flat (Cayman) Corporation for a cash consideration of RMB5 million and obtained significant influence over The World is Flat (Cayman) Corporation through board representation. Accordingly, The World is Flat (Cayman) Corporation became an associate of the Group accounted for using the equity method. Deemed disposal gains of approximately RMB2,217,000 were recognised on dilution of the Group's equity interests in The World is Flat (Cayman) Corporation due to new equity interests being issued by the associate during the year ended 31 December 2019 and percentage of ownership interest attributable to the Group has been diluted to 5%.

(e) In March 2019, the Group invested 10% interest in RYK Capital Partners Limited for a cash consideration of approximately RMB4,358,000 and obtained significant influence over RYK Capital Partners Limited through board representation. Accordingly, RYK Capital Partners Limited became an associate of the Group accounted for using the equity method. In June 2020, the Group made additional investment with an amount of RMB6,762,000 and the remaining shareholders of RYK Capital Partners Limited also made additional investments accordingly, percentage of ownership interest attributable to the Group remains unchanged after the additional investment arrangements were completed.

(f) In April 2019, the Group invested 45% interest in Fushi for a cash consideration of RMB5 million and obtained significant influence over Fushi through board representation. Accordingly, Fushi became an associate of the Group accounted for using the equity method.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(g) In February 2020, the Group invested 50% interest in Leshua Shangqaun for a cash consideration of RMB5 million and obtained significant influence over Leshua Shangquan through board representation. Accordingly, Leshua Shangquan became an associate of the Group accounted for using the equity method. In November 2020, the Group further acquired 5% interest in Leshua Shangquan for a cash consideration of RMB2 million, after which the Group has obtained control of Leshua Shangquan with majority rights. Accordingly, Leshua Shangquan became a subsidiary of the Group and the previous carrying amount of interest in associate had been was revalued to its fair value on the date of control with the difference of RMB20,000,000 recognised as deemed disposal gains and recorded in "other gains, net".

Summarized financial information in respect of the Group's associates is set out below:

Summarised statements of financial position

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**283,041**	157,555
Non-current assets	**110,605**	16,665
Current liabilities	**(447,955)**	(180,258)
Net liabilities	**(54,309)**	(6,038)
Reconciliation to carrying amounts:		
Opening net assets at 1 January	**(6,038)**	21,466
Addition for the year	**-**	4,287
Capital injection	**119,467**	100,949
Losses for the year	**(169,706)**	(130,245)
Other comprehensive income/(loss)	**1,968**	(2,495)
Closing net liabilities at the end of year	**(54,309)**	(6,038)
Group's share of net liabilities	**(25,197)**	(7,820)
Goodwill	**50,062**	38,887

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(g) *(Continued)*

Summarised statements of profit or loss and other comprehensive income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**128,907**	411,484
Losses for the year	**(169,706)**	(130,245)
Other comprehensive income/(loss)	**1,968**	(2,495)
Total comprehensive loss	**(167,738)**	(132,740)

(h) With a valuation performed by a third-party independent valuer by using the market approach, the Directors assessed that the recoverable amount of Chao Meng as at 31 December 2020 was lower than the respective carrying amount of investment by RMB4,000,000 (2019: RMB3,413,000), and accordingly, an impairment provision of the same amount had been charged against the investment and recorded as an expense in the consolidated financial statements of the Group for the year ended 31 December 2020.

15 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
As at 31 December 2018					
Cost	37,651	8,182	3,355	6,545	55,733
Accumulated depreciation	(18,774)	(3,799)	(338)	(3,681)	(26,592)
Net book amount	18,877	4,383	3,017	2,864	29,141
Year ended 31 December 2019					
Opening net book amount	18,877	4,383	3,017	2,864	29,141
Additions	15,314	6,336	-	1,257	22,907
Business combination (Note 33)	-	154	-	-	154
Disposals	-	(160)	-	-	(160)
Depreciation charge	(7,659)	(2,422)	(610)	(1,541)	(12,232)
Currency translation difference	-	-	42	2	44
Closing net book amount	26,532	8,291	2,449	2,582	39,854
As at 31 December 2019					
Cost	52,965	14,367	3,250	7,846	78,428
Accumulated depreciation	(26,433)	(6,076)	(801)	(5,264)	(38,574)
Net book amount	26,532	8,291	2,449	2,582	39,854
Year ended 31 December 2020					
Opening net book amount	**26,532**	**8,291**	**2,449**	**2,582**	**39,854**
Additions	**36,194**	**4,187**	**-**	**996**	**41,377**
Business combination (Note 33)	**3,730**	**165**	**-**	**-**	**3,895**
Depreciation charge	**(13,580)**	**(3,872)**	**(526)**	**(1,484)**	**(19,462)**
Currency translation difference	**-**	**-**	**(209)**	**(170)**	**(379)**
Closing net book amount	**52,876**	**8,771**	**1,714**	**1,924**	**65,285**
As at 31 December 2020					
Cost	**92,889**	**18,719**	**3,041**	**8,672**	**123,321**
Accumulated depreciation	**(40,013)**	**(9,948)**	**(1,327)**	**(6,748)**	**(58,036)**
Net book amount	**52,876**	**8,771**	**1,714**	**1,924**	**65,285**

All of the depreciation expenses have been charged to administrative expenses.

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationship RMB'000	Software RMB'000	Platform RMB'000	Brand name RMB'000	Total RMB'000
At 31 December 2018						
Cost	5,524	-	1,285	-	-	6,809
Accumulated amortization and impairment	(5,524)	-	(357)	-	-	(5,881)
Net book amount	-	-	928	-	-	928
Year ended 31 December 2019						
Opening net book amount	-	-	928	-	-	928
Additions	-	-	413	-	-	413
Business combination (Note 33)	145,840	29,800	-	-	-	175,640
Amortization charge	-	(5,794)	(511)	-	-	(6,305)
Closing net book amount	145,840	24,006	830	-	-	170,676
At 31 December 2019						
Cost	151,364	29,800	1,698	-	-	182,862
Accumulated amortization and impairment	(5,524)	(5,794)	(868)	-	-	(12,186)
Net book amount	145,840	24,006	830	-	-	170,676
Year ended 31 December 2020						
Opening net book amount	**145,840**	**24,006**	**830**	**-**	**-**	**170,676**
Additions	**-**	**-**	**1,145**	**-**	**-**	**1,145**
Business combination (Note 33)	**156,044**	**48,000**	**-**	**1,300**	**2,200**	**207,544**
Amortization charge	**-**	**(11,533)**	**(546)**	**(108)**	**(122)**	**(12,309)**
Closing net book amount	**301,884**	**60,473**	**1,429**	**1,192**	**2,078**	**367,056**
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**

16 INTANGIBLE ASSETS *(Continued)*

(a) Impairment tests for goodwill related to Tuozhanbao acquisition

Goodwill acquired in a business combination is allocated to the CGU that are expected to benefit from that business combination. Tuozhanbao's business was transferred and undertaken by Letuobao since 31 August 2019.The Directors consider Letuobao as a separate CGU (the "Letuobao CGU") and the goodwill is allocated to the Letuobao CGU.

The carrying amounts of goodwill allocated to the Letuobao CGU are RMB145,840,000 as at 31 December 2020.

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

The recoverable amount of Letuobao CGU was determined to be higher than it is carrying amount and no impairment loss was recognised as at 31 December 2020.

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

Gross profit margin	67%-68%
Revenue growth rate	5%
Terminal value growth rate	3%
Pre-tax discount rate	59%

(i) Revenue growth rate and gross profit margin

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

(ii) Terminal value growth rate

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

16 INTANGIBLE ASSETS *(Continued)*

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

(iii) Discount rate

59% pre-tax discount rate was applied, which reflected the nature and stage of development of the underlying business acquired and also the returns required by the Company in the acquisition.

(iv) Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded it carrying value by RMB138,857,000 as at 31 December 2020. Accordingly, no impairment provision was required to be made as at 31 December 2020. The Directors had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated gross profit margin and estimated discount rate during the forecast period been 22% lower and 40% higher respectively, the recoverable amount would have been equal to the carrying amount. Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

(b) Impairment tests for goodwill related to Chuangxinzhong acquisition

Goodwill acquired in a business combination is allocated to the CGU that are expected to benefit from that business combination. The Directors consider Chuangxinzhong as a separate CGU (the "Chuangxinzhong CGU") and the goodwill is allocated to the Chuangxinzhong CGU.

The carrying amounts of goodwill allocated to the Chuangxinzhong CGU are RMB120,873,000 as at 31 December 2020.

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

The recoverable amount of Chuangxinzhong CGU was determined to be higher than it is carrying amount and no impairment loss was recognised as at 31 December 2020.

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

Terminal value growth rate	3%
Pre-tax discount rate	20%

The revenue growth rate applied are 15%, 31%, 22%, 17% and 13% for each of the 5 years from 2021 to 2025, respectively.

16 INTANGIBLE ASSETS *(Continued)*

(b) Impairment tests for goodwill related to Chuangxinzhong acquisition *(Continued)*

(i) Revenue growth rate

Revenue growth rate is determined by management of the Company based on past performance and the future business plan of Chuangxinzhong and synergy expected to be achieved from the business combination.

(ii) Terminal value growth rate

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

(iii) Discount rate

20% pre-tax discount rate was applied, which reflected the nature and stage of development of the underlying business acquired and also the returns required by the Company in the acquisition.

(iv) Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded it carrying value by RMB2,767,000 as at 31 December 2020. Accordingly, no impairment provision was required to be made as at 31 December 2020. The Directors had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated revenue growth rate and estimated discount rate during the forecast period been 0.25% lower and 0.18% higher respectively, the recoverable amount would have been equal to the carrying amount.

(c) Impairment tests for goodwill related to Leshua Shangquan acquisition

Goodwill acquired in a business combination is allocated to the CGU that are expected to benefit from that business combination. The Directors consider Leshua Shangquan as a separate CGU (the "Leshua Shangquan CGU") and the goodwill is allocated to the Leshua Shangquan CGU.

The carrying amounts of goodwill allocated to the Leshua Shangquan CGU are RMB35,171,000 as at 31 December 2020.

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

16 INTANGIBLE ASSETS *(Continued)*

(c) Impairment tests for goodwill related to Leshua Shangquan acquisition *(Continued)*

The recoverable amount of the Leshua Shangquan CGU was determined to be higher than it is carrying amount and no impairment loss was recognised as at 31 December 2020.

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

Terminal value growth rate	3%
Pre-tax discount rate	22%

The revenue growth rate applied are 389%, 166%, 50%, 20% and 9% for each of the 5 years from 2021 to 2025, respectively.

(i) Revenue growth rate

Revenue growth rate is determined by management of the Company based on past performance and the future business plan of Leshua Shangquan and synergy expected to be achieved from the business combination.

(ii) Terminal value growth rate

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

(iii) Discount rate

22% pre-tax discount rate was applied, which reflected the nature and stage of development of the underlying business acquired and also the returns required by the Company in the acquisition.

(iv) Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded it carrying value by RMB994,000 as at 31 December 2020. Accordingly, no impairment provision was required to be made as at 31 December 2020. The Directors had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated revenue growth rate and estimated discount rate during the forecast period been 0.04% lower and 0.20% higher respectively, the recoverable amount would have been equal to the carrying amount.

16 INTANGIBLE ASSETS *(Continued)*

(d) The amortization of intangible assets has been charged to the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of revenue	**9,933**	5,794
Administrative expenses	**2,376**	511
	12,309	6,305

17 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Payment terminals	**36,847**	90,450

The costs of payment terminals are amortized over 3 years in accordance with the expected benefit period. The amortization of payment terminals is charged to cost of revenue according to the provisions prescribed under IFRS15.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets-amortized cost		
– Trade receivables	**332,741**	43,528
– Other receivables	**2,016,766**	1,127,765
– Cash and cash equivalents	**2,542,316**	441,315
– Restricted cash	**–**	162,124
	4,891,823	1,774,732
Financial assets at FVPL	**99,028**	41,046
Financial liabilities-amortized cost		
– Trade payables	**240,241**	74,112
– Other payables	**1,591,120**	1,051,594
– Lease liabilities	**55,568**	27,780
– Borrowings	**211,000**	136,500
	2,097,929	1,289,986
Financial liabilities at FVPL	**77,243**	1,373,447

19 FINANCIAL ASSETS AT FVPL

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Investment in a listed entity (a)	**14,133**	–
Non-current assets		
Investment in unlisted entities (b)	**42,000**	–
Contingent consideration (c)	**42,895**	41,046
	84,895	41,046
	99,028	41,046

19 FINANCIAL ASSETS AT FVPL *(Continued)*

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**41,046**	–
Additions	**48,535**	41,576
Changes in fair value	**9,831**	(530)
Currency translation differences	**(384)**	–
At the end of the year	**99,028**	41,046

(a) In September 2020, the Group invested 0.25% interest in Joy Spreader Interactive Technology. Ltd. for a cash consideration of USD2 million and classified as FVPL.

(b) The balance comprises the Group's investments in convertible redeemable preferred shares in Fushi acquired in July 2020 (Note 35(c)), and 3.6% equity interest in Hangzhou Shouzhan Technology Co., Ltd ("Shouzhan") acquired in December 2020 with the cash consideration prepaid in full in 2019.

(c) The balance is derived from contingent consideration in relation to the acquisition of Tuozhanbao, which were completed in June 2019. The fair value change of contingent consideration in relation to Tuozhanbao acquisition amounted to RMB1,849,000 in 2020 (2019: RMB530,000). The determination of fair value and the related sensitivity analysis was set out in Note 33(c)(ii).

20 TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**332,741**	43,528

(a) As at 31 December 2020, trade receivables of marketing commission and advertising fee amounted to approximately RMB324,142,000 (2019: RMB39,839,000).

(b) The carrying amounts of the trade receivables balances were approximate to their fair value as at 31 December 2020 and 2019. All the trade receivables balances were denominated in RMB.

(c) The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. Information about the impairment of trade receivables and the Group's exposure to credit risk has been disclosed in Note 3.1.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Up to 3 months	**322,795**	43,430
3 to 6 months	**8,447**	–
Over 6 months	**1,499**	98
	332,741	43,528

21 PREPAYMENTS AND OTHER RECEIVABLES

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments for:		
– Investment in Shouzhan (Note 19(b))	**–**	20,000
– Investment in Fushi	**–**	10,000
– Leasehold improvement	**8,250**	–
– Others	**2,500**	–
Rental deposits	**4,625**	2,279
	15,375	32,279

21 PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Prepayments and other receivables in current assets

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments		
Prepaid listing expenses	**-**	8,010
Prepayments for SAAS terminals	**44,501**	18,490
Prepayments to media publishers and advertising agents	**29,503**	-
Others	**12,830**	7,227
Sub-total	**86,834**	33,727
Other receivables		
Amounts due from related parties (Note 35(c))	**64,121**	30,810
Receivables from payment networks (i)	**1,465,109**	800,658
Lease deposits	**15,354**	5,907
Payment network deposits	**1,466**	1,500
Loan receivables (ii)	**396,930**	242,615
Deposits placed with financial institutions	**83,643**	40,366
Others	**23,572**	23,378
Less: allowance for impairment of loan receivables (iii)	**(16,550)**	(10,244)
Less: allowance for amount due from Chao Meng (iv)	**(21,504)**	(9,504)
Sub-total	**2,012,141**	1,125,486
	2,098,975	1,159,213

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

(ii) The loan receivables mainly comprise entrusted loans and small-sized loans to various borrowers provided by the Group or through various financial institutions including the Trusts (Note 1.2 (b)). The loans bore interest rate from 8% to 36% per annum and with lending periods of less than one year.

21 PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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

(iii) For loan receivables, the expected loss rates are determined based on the historical loss rates as well as the average expected loss rates of some small loan companies in the same industry. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

As to loan receivables, a significant increase in credit risk is presumed when they become overdue. Under such case, the loan receivables are classified as underperforming receivables.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group writes off receivables when a debtor fails to make contractual payments/repayable demanded greater than 180 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

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

Loan receivables	Basis for recognition of expected credit loss provision	Expected credit loss rate	Gross amount	Carrying amount (net of impairment provision)	Expected credit loss rate	Gross amount	Carrying amount (net of impairment provision)
		As at 31 December 2020			As at 31 December 2019		
			RMB'000	RMB'000		RMB'000	RMB'000
Loan Receivable							
- Performing	12 months expected losses	3%	390,707	378,165	2%	228,069	223,964
- Underperforming	Lifetime expected losses	64%	6,223	2,215	42%	14,546	8,407
			396,930	380,380		242,615	232,371

21 PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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

(iii) (Continued)

The Directors assessed and determined the 12 month expected loss rate of performing loans to be 3% and 2% for the years ended 31 December 2020 and 2019, respectively, based on the Group's actual historical loss rate adjusted by forward-looking information on macro-economic factors affecting customers' repayment ability.

No significant changes to estimation techniques or assumptions were made.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**10,244**	1,871
Provision for impairment	**38,189**	17,907
Write off bad debts	**(31,883)**	(9,534)
At the end of the year	**16,550**	10,244

(iv) For the year ended 31 December 2020, the Directors had made an impairment provision of RMB12,000,000 (2019:RMB9,504,000) against the carrying amount of balance due from Chao Meng, which resulted in an aggregate amount of impairment provision of RMB21,504,000 against the carrying amount of balance due from Chao Meng as at 31 December 2020, based on the uncertainty of ongoing arbitration results. The directors consider that the provision set up reflected the current best estimate on the recoverable amount of such balance up to the date of approval of the financial statements.

(v) The carrying amounts of the other receivable's balances approximate their fair value as at 31 December 2020 and 2019. All the prepayments and other receivable balances were denominated in RMB.

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and in hand	**2,542,316**	603,439
Less: restricted cash (a)	**-**	(162,124)
	2,542,316	441,315

(a) Restricted cash represents client reserve fund received on behalf of merchants in connection with the provision of the Group's one-stop payment services.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	**674,056**	545,534
JPY	**194**	163
USD	**381,481**	33,080
HKD	**1,486,566**	24,662
GBP	**4**	–
THB	**15**	–
	2,542,316	603,439

23 SHARE CAPITAL

Authorized:

The Company was incorporated in the Cayman Islands on 8 September 2011 with an authorized share of USD8,989 divided into 89,891,433 shares of par value of USD0.0001 each.

	Number of shares	Nominal value	
		In USD	In RMB Equivalent
Balance at 31 December 2019	89,891,433	8,989	56,575
Effect of share subdivision	269,674,299	–	–
Authorize of new shares upon listing	640,434,268	16,011	120,413
Balance at 31 December 2020	**1,000,000,000**	**25,000**	**176,988**

Issued:

	Number of shares	Nominal value	
		In USD	In RMB Equivalent
Balance at 31 December 2018	47,618,182	4,762	29,971
Share repurchase (a)	(2,929,809)	(293)	(2,017)
Share issued for Tuozhanbao acquisition (a)	3,871,964	387	2,662
Shares issued for restricted share units scheme (f)	9,613,238	961	6,724
Sub-total	58,173,575	5,817	37,340
Less: shares held by restricted share units' nominees (f)	(9,613,238)	(961)	(6,724)
Balance at 31 December 2019	48,560,337	4,856	30,616
Issued shares	58,173,575	5,817	37,340
Effect of share subdivision(b)	174,520,725	–	–
Issuance of new shares upon listing (c)	110,126,400	2,753	19,619
Issuance of new shares for conversion of preferred shares to ordinary shares (d)	83,384,372	2,085	14,869
Issuance of new shares for placement (e)	20,795,052	520	3,398
Sub-total	447,000,124	11,175	75,226
Less: shares held by restricted share units' nominees (f)	(10,993,193)	(275)	(1,553)
Balance at 31 December 2020	**436,006,931**	**10,900**	**73,673**

23 SHARE CAPITAL *(Continued)*

(a) 2,929,809 ordinary shares were repurchased by the Company at a cash consideration of RMB68,523,000 in June 2019 and cancelled subsequently in July 2019. 3,871,964 ordinary shares were issued for Tuozhanbao acquisition in July 2019, which is subject to return if the performance condition cannot be achieved by Tuozhanbao as further explained in Note 33.

(b) As at 30 April 2020, pursuant to a shareholders' resolution of the Company passed, each then existing issued and unissued share of US$0.0001 each in the then share capital of the Company were subdivided into 4 shares of US$0.000025 each and the authorized share capital of the Company was increased from US$8,989.1433, divided into 1,000,000,000 ordinary shares each of a par value of US$0.000025 each and they rank pari passu in all respects with the then existing shares.

(c) Upon completion of the initial public offering ("IPO") during the year, the Company issued 110,126,400 new shares at par value of US$0.000025 per share for a total of cash consideration of HKD16.64 each and raised gross proceeds of approximately HKD1,832,503,000 (equivalent to RMB1,684,646,000). After netting off these gross proceeds with share issuance costs amounting to approximately RMB66,899,000, the respective share capital amount was approximately RMB20,000 and share premium arising from the issuance was approximately RMB1,617,727,000. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These share issuance costs were treated as a deduction against the share premium arising from the IPO.

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

(e) As at 17 December 2020, a total of 20,795,052 placing shares were placed at the placing price of HKD37.88 per placing share with gross proceeds of approximately HKD787,717,000 (equivalent to RMB664,261,000) was raised by the Company. After netting off these gross proceeds with share issuance costs amounting to approximately RMB8,661,000, the respective share capital amount was approximately RMB4,000 and share premium arising from the issuance was approximately RMB655,596,000. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These share issuance costs were treated as a deduction against the share premium arising from the issuance.

(f) 9,613,238 ordinary shares were issued by the Company to two trusts controlled by the Company in November 2019 for the Company's restricted share units scheme (Note 32). Effected by the share subdivision undertaken on 30 April 2020, these ordinary shares held by the trusts were subdivided to 38,452,952 ordinary shares. At 1 August 2020, 33,250,384 shares in the Company's restricted share units scheme were transferred to the respective awardees upon vesting.

24 RESERVES

	Reserves				
	Capital reserves	Statutory reserves	Currency Translation differences	Share-based compensation reserve	Total
	RMB'000		RMB'000	RMB'000	RMB'000
As at 1 January 2020	**168,636**	**-**	**(64,554)**	**156,263**	**260,345**
Issuance of ordinary shares relating to initial public offering, net of share issuance costs (Note 23)	**1,617,727**	**-**	**-**	**-**	**1,617,727**
Conversion of convertible redeemable preferred shares to ordinary shares (Note 23)	**1,276,395**	**-**	**-**	**-**	**1,276,395**
Share premium set off the accumulated losses and other reserves (i)	**(861,158)**	**-**	**87,235**	**-**	**(773,923)**
Issuance of new shares relating to placement, net of share issuance costs (Note 23)	**655,596**	**-**	**-**	**-**	**655,596**
Transfer shares to awardees of employee share scheme upon vesting	**(22,363)**	**-**	**-**	**(152,544)**	**(174,907)**
Profit appropriations to statutory reserves	**-**	**36,374**	**-**	**-**	**36,374**
Currency translation difference	**-**	**-**	**(156,620)**	**-**	**(156,620)**
Employee share schemes value of employee services (Note 32)	**-**	**-**	**-**	**18,143**	**18,143**
As at 31 December 2020	**2,834,833**	**36,374**	**(133,939)**	**21,862**	**2,759,130**
As at 1 January 2019	500	-	(44,561)	146,602	102,541
Share repurchase (Note 23)	(68,521)	-	-	-	(68,521)
Shares to be issued upon the acquisition of Tuozhanbao (Note 33)	236,657	-	-	-	236,657
Currency translation difference	-	-	(19,993)	-	(19,993)
Employee share schemes value of employee services	-	-	-	9,661	9,661
As at 31 December 2019	168,636	-	(64,554)	156,263	260,345

24 RESERVES *(Continued)*

(i) As at 27 August 2020, the board of directors of the Company passed a resolution, pursuant to which the sum of approximately RMB861,158,000 standing to the credit of the share premium of the Company was applied to set off the accumulated losses and other reserves of the Company. Accordingly, the accumulated losses of approximately RMB773,923,000 was set off and the related currency translation difference of approximately RMB87,235,000 was released.

25 DIVIDENDS

No dividends have been paid or declared by the Company for year ended 31 December 2020 (2019: Nil).

26 CONTRACT LIABILITIES

Contract liabilities represent deferred revenues arising from advertising fees, entry fees received from merchants and fair value of unconsumed coupons sold to merchants for reduction against payment processing commissions, which are recognized as revenue based on the accounting policy set out in Note 2.19 (c).

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**25,910**	72,178
Received from merchants	**48,895**	147,493
Received from advertising customers	**108,121**	–
Revenue recognized	**(156,418)**	(193,761)
At the end of the year	**26,508**	25,910

As at 31 December 2020 and 2019, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of one year or less. Therefore, as permitted by the relevant practical expedient under IFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

27 LEASE LIABILITIES

(a) Amounts recognised in the consolidated statements of financial position

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
– Properties	**52,876**	26,532

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Undiscounted amount	**60,273**	30,255
Less: interest	**(4,705)**	(2,475)
	55,568	27,780
Lease liabilities		
– Non-current portion	**31,723**	17,568
– Current portion	**23,845**	10,212
	55,568	27,780

27 LEASE LIABILITIES *(Continued)*

(b) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Short-term lease payment	**10,125**	8,631
Depreciation charge of right-of-use assets	**13,580**	7,659
Finance costs on leases	**1,927**	1,236

During the year ended 31 December 2020, the Group received rent concessions from landlords during certain periods of severe distancing and travel restriction measures introduced by the PRC and Hong Kong government to contain the spread of COVID-19.

These aforementioned rent concessions amounted to a total of approximately RMB372,000. Pursuant to the applicable practical expedients under IFRS 16, the Group has recognised all of these concessions in the Group's consolidated statement of comprehensive income under "other gains" during the year ended 31 December 2020.

(c) Amounts recognised in the consolidated statements of cash flows

During the years ended 31 December 2020 and 2019, the total cash outflows for leases were analysed as below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Payments for short-term leases in respect of:		
–Properties	**3,246**	3,732
–Servers	**6,879**	4,899
	10,125	8,631
Cash flows from financing activities		
Lease payments (including interest paid)	**14,302**	8,183

Payments for short-term leases were not shown separately but included in the line of "(loss)/profit before income tax" in respect of the net cash generated from operations which were presented in Note 34 under the indirect method.

28 TRADE AND OTHER PAYABLES

(a) Other payables in non-current liabilities

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Entry fees received from distribution channels (v)	**11,785**	56,880

(b) Trade and other payables in current liabilities

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables (i)	**240,241**	74,112
Other payables		
Amounts due to a related party (Note 35)	**-**	480
Deposits from distribution channels (ii)	**55,165**	38,337
Payables to merchants (iii)	**1,415,108**	957,760
Payables to original shareholders of Chuangxinzhong (iv)	**85,000**	-
Employee benefit payables	**44,281**	31,147
Individual income tax payables(vii)	**148,310**	3,752
Other taxes payables	**11,447**	4,246
Listing expenses payables	**1,204**	5,111
Payables to creditors (vi)	**6,582**	38,738
Others	**28,061**	11,168
	1,795,158	1,090,739
	2,035,399	1,164,851

28 TRADE AND OTHER PAYABLES *(Continued)*

(b) Trade and other payables in current liabilities *(Continued)*

(i) 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 processing fees payable to payment networks and financial institutions.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Up to 3 months	**160,610**	58,248
3 to 6 months	**50,547**	15,859
Over 6 months	**29,084**	5
	240,241	74,112

(ii) 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.

(iii) 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.

(iv) The amount represents the first instalment of cash consideration payable by the Group for acquiring 42.5% of the equity interest in Chuangxinzhong (Note 33), according to the terms of the purchase agreement. The amount was subsequently fully settled to the original shareholders of Chuangxinzhong in February 2021.

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

(vi) The balance represents fund raised from third party creditors in relation to the small-sized retail loans granted to customers since September 2019 (Note 21(b)(ii)) through the Trusts. The balance bore interest at a rate of 8.0% to 9.0% per annum.

28 TRADE AND OTHER PAYABLES *(Continued)*

(b) Trade and other payables in current liabilities *(Continued)*

(vii) The balance of 31 December 2020 mainly represents individual income tax to be paid on behalf of awardees upon their vesting of the Company's shares.

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

29 BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Bank borrowings unsecured with guarantee (a)	**211,000**	116,500
Borrowing from other non-banking financial institution unsecured with guarantee (b)	**-**	20,000
	211,000	136,500

(a) For the years ended 31 December 2020 and 2019, bank borrowings with guarantee bore effective interest rate of 5.2% and 5.5% per annum, respectively. As at 31 December 2020 and 2019, all of the bank borrowings were repayable within one year.

As at 31 December 2020, bank borrowings of RMB107,000,000 of Shenzhen Yeahka was guaranteed by Leshua, Shenzhen Feiquan Cloud Data Service Co., Ltd. and the Company.

As at 31 December 2020, bank borrowings of RMB97,000,000 of Leshua was guaranteed by Shenzhen Yeahka and the Company.

As at 31 December 2020, bank borrowings of RMB7,000,000 of Chuangxinzhong was guaranteed by Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. and Beijing Haidian Technology Enterprise Financing Guarantee Co., Ltd.

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

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

29 BORROWINGS *(Continued)*

(b) As at 31 December 2019, other borrowings of RMB10,000,000 and RMB10,000,000 bore effective interest rates of 12% and 6.5% per annum, respectively, and were both guaranteed by Shenzhen Hi-tech Investment and Financing Guarantee Co., Ltd., Shenzhen Yeahka, Mr. Liu and Mrs. Liu.

30 FINANCIAL LIABILITIES AT FVPL

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contingent consideration (a)	**77,243**	–
Convertible redeemable preferred shares (b)	**–**	1,373,447
	77,243	1,373,447

(a) It represented cash consideration payable which the ultimate payout is contingent upon the completion of certain annual profit guarantee set out in each of the three years ending 30 November 2021, 2022 and 2023. The determination of fair value and the related sensitivity analysis was set out in Note 33(a).

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	**1,373,447**	1,179,180
Redemption of Series C Preferred Shares	**–**	(52,356)
Issuance of Series C Preferred Shares	**–**	43,891
Changes in fair value	**(125,822)**	181,521
Currency translation differences	**28,784**	21,211
Conversion to ordinary shares	**(1,276,409)**	–
Closing balance	**–**	1,373,447

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

31 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

(a) Deferred income tax assets

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Tax losses	**11,946**	7,319
Employee benefits payables	**–**	719
Others	**3,136**	466
Total deferred income tax	**15,082**	8,504

The movement on the deferred tax assets for the years is as follows:

	Tax losses RMB'000	Employee benefits payables RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2018	34,658	686	481	35,825
(Charged)/credited to consolidated statements of comprehensive income	(27,339)	33	(15)	(27,321)
As at 31 December 2019	7,319	719	466	8,504
(Charged)/credited to consolidated statements of comprehensive income	4,627	(719)	2,670	6,578
As at 31 December 2020	**11,946**	**–**	**3,136**	**15,082**

31 DEFERRED INCOME TAX *(Continued)*

(a) Deferred income tax assets *(Continued)*

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profit is probable. As at 31 December 2020 and 2019, deferred tax assets associated with tax losses of approximately RMB6,596,000 and RMB4,559,000 of Yeahka Technology Limited (a Hong Kong subsidiary of the Group) had not been recognized, which can be carried forward against future taxable income with no expiry date. The remaining tax losses of certain PRC group entities that had not been recognized as deferred tax assets can be carried forward against future taxable income will expire in the following years:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
2020	**–**	512
2021	**1,559**	1,559
2022	**5,616**	5,616
2023	**7,529**	54,232
2024	**12,875**	9,371
2025	**62,883**	–
	90,462	71,290

(b) Deferred income tax liabilities

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Intangible assets	**11,295**	6,002

31 DEFERRED INCOME TAX *(Continued)*

(b) Deferred income tax liabilities *(Continued)*

The movement on the deferred tax liabilities for the year is as follows:

	Intangible assets RMB'000
As at 1 January 2020	**6,002**
Deferred income tax liabilities relating to Chuangxinzhong acquisition (Note 33(a))	**7,200**
Deferred income tax liabilities relating to Leshua Shangqaun acquisition (Note 33(b))	**875**
Credited to consolidated statements of comprehensive income	**(2,782)**
As at 31 December 2020	**11,295**

32 SHARE-BASED PAYMENTS

Under a stock incentive plan approved by the board of directors of the Company (the "Share Option Plan"), several batches of share options were granted to certain employees and directors in the years of 2013, 2016, 2017 and 2018, respectively.

In August 2019, the board of directors of the Company passed a resolution, according to which all outstanding options representing 8,527,346 shares* of the Company granted under the Share Option Plan were converted into 8,527,346 shares* of Restricted Share Units ("RSU") granted to the same option holders, who became eligible participants under such scheme. There was no modification of terms or conditions which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original Share Option Plan. The Company granted additional 881,000 RSUs* to other participants in August 2019.

* The number of shares were presented as before the effect of the share subdivision.

32 SHARE-BASED PAYMENTS *(Continued)*

Details of RSUs are as follows:

Grant date (yyyy/mm/dd)	Number of RSU after share subdivision	Vesting period	Exercise price (in USD)	Expiration terms
2013/1/1	5,514,696	1 year	0.000025	15 years from date of grant
2016/2/1	20,194,688	11 months	0.000025	Same as above
2017/1/1	5,120,000	1 year	0.000025	Same as above
2018/1/1	3,280,000	To be vested evenly within a 4-year period from vesting commencement	1.06	Same as above
2019/8/1	3,524,000	To be vested evenly with in a 4-year period from vesting commencement	1.62	Same as above

The share-based compensation expenses recognized during the years ended 31 December 2020 and 2019 are summarized in the following table:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee share schemes		
– value of employee services	**18,143**	9,661

32 SHARE-BASED PAYMENTS *(Continued)*

(a) Movements in the number of RSUs outstanding and their related exercise prices:

	Average exercise price (RMB)	Number of RSUs
Outstanding balance as at 1 January 2020	**6.59**	9,408,346
Effect of share subdivision (Note 23(a))	**–**	28,225,038
Vested during the year	**0.62**	(33,250,384)
Forfeited during the year	**8.58**	(240,000)
Outstanding balance as at 31 December 2020	**9.49**	4,143,000
Outstanding balance as at 1 January 2019	**2.66**	8,527,346
Granted during the year	**44.55**	881,000
Outstanding balance as at 31 December 2019	**6.59**	9,408,346

At 1 August 2020, 33,250,384 shares in RSU were transferred to the awardees upon vesting and 240,000 shares were forfeited in the year ended 31 December 2020 (2019: Nil).

The fair value of RSUs granted in 2019 was RMB19.61 per share. The Group had adopted the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary shares.

Significant judgement made by the directors in applying the binomial model in 2019 granting which are summarized as below.

Risk-free interest rate	3.32%
Dividend yield	0.00%
Expected volatility	36.19%

33 BUSINESS COMBINATIONS

(a) Acquisition of Chuangxinzhong

On 9 November 2020, in order to obtain user profiles and traffic data of the Company's data management platform, and optimize its artificial intelligence-driven delivery model to achieve good marketing return on advertising, the Company acquired 42.5% of the equity interest in Chuangxinzhong from the original shareholders for a consideration of RMB170,000,000. Chuangxinzhong is mainly engaged in provision of marketing services relating to internet services in the PRC.

Up to 30 November 2020, all above mentioned transactions had been completed. The Company had obtained 42.5% equity interests of Chuangxinzhong and majority voting rights of board of directors and shareholders meeting of Chuangxinzhong, and started to control Chuangxinzhong. In addition, the Company has been entitled to all risks and rewards of Chuangxinzhong.

Goodwill of approximately RMB120,873,000 had been recognized for the acquisition of Chuangxinzhong, which represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. It is attributable to the acquired market share and economies of scale expected to be derived from combining the operations of Chuangxinzhong with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarises the consideration to be paid for the acquisition, the fair value of assets acquired, and liabilities assumed at the acquisition date:

	RMB'000
Purchase consideration payables	85,000
Contingent consideration (Note 30)	77,243
Total consideration payables by the Company	162,243

33 BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of Chuangxinzhong *(Continued)*

The separately identifiable assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	21,615
Trade receivables	182,596
Prepayments and other receivables	8,359
Other current assets	3,238
Plant and equipments	313
Intangible assets – customer relationship	48,000
Borrowings	(7,000)
Trade and other payables	(143,090)
Tax payables	–
Contract liabilities	(9,340)
Lease liability	(150)
Deferred tax liabilities	(7,200)
Non-controlling interests	(55,971)
Total identifiable net assets	41,370
Goodwill	120,873

As set out in the share purchase agreement, the contingent consideration will be paid by the Company through three-year instalments which ultimately amounts are RMB28,390,000, RMB28,390,000 and RMB28,220,000, respectively. The company shall be entitled to adjust contingent consideration upon the completion of profit guarantee set out for each of the three years ending 30 November 2021, 2022 and 2023. The fair value of such contingent consideration has been accounted for as a financial liability at fair value through profit or loss. The fair value of the contingent consideration was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis. If the estimated probability of achieving net profit target of Chuanxinzhong had been 5% higher/lower, the fair value of the financial liability at FVPL as at 31 December 2020 would have been approximately 2% lower/higher.

33 BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of Chuangxinzhong *(Continued)*

(i) Analysis of cash flows in respect of the acquisition of Chuangxinzhong is as follows:

	RMB'000
Cash consideration (payable as at 31 December 2020 and contingent consideration)	–
Cash and cash equivalents acquired	21,615
Net inflow of cash and cash equivalents included in cash flows from investing activities	21,615

(ii) Revenue and profit contribution

Had Chuangxinzhong been consolidated from 1 January 2020, consolidated revenue and consolidated net profit of the Group for the year ended 31 December 2020 would have been RMB2,363,975,000 and RMB479,023,000, respectively.

(b) Acquisition of Leshua Shangquan

In November 2020, the Group entered into a sale and purchase agreement with an independent third-party, Shenzhen Leshangquan Technology Co., Ltd., to acquire 5% equity interest in Leshua Shangqaun for an aggregate consideration of RMB2,000,000. Yeahka WFOE established Leshua Shangquan with Shenzhen Leshangquan Technology Co., Ltd. in February 2020 and had 50% interest of Leshua Shangquan. Before acquisition of Leshua Shangquan, Leshua Shangquan is one of the Group's associates and was accounted for using the equity method. Leshua Shangqaun is principally engaged in provision of online platform services to customers and merchants in the PRC.

Up to 30 November 2020, the Company had obtained 55% equity interest of Leshua Shangquan and majority voting rights of board and shareholders of Leshua Shangquan and started to control Leshua Shangquan through board of directors representation. The Directors assessed that the acquisition of Leshua Shangquan completed on 30 November 2020.

Goodwill of approximately RMB35,171,000 had been recognized for the acquisition of Leshua Shangquan, which represents the excess of the purchase consideration over the fair value of the net identifiable liabilities assumed. None of the goodwill recognized is expected to be deductible for income tax purposes.

33 BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of Leshua Shangquan *(Continued)*

The following table summarises the consideration paid for the acquisition, the fair value of net liabilities assumed at the acquisition date:

	RMB'000
Purchase consideration in cash	2,000
Fair value of previously held 50% interest classified as investment in associates prior to the business combination	20,000
Total consideration paid by the Company	22,000

The separately identifiable assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	4,446
Trade receivables	27
Prepayments and other receivables	1,388
Inventory	939
Other current asset	2,175
Plant and equipment	3,582
Intangible assets – brand name and platform	3,500
Trade and other payables	(35,309)
Lease liabilities	(3,820)
Deferred tax liabilities	(875)
Non-controlling interests	10,776
Total identifiable net liabilities	(13,171)
Goodwill	35,171

33 BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of Leshua Shangquan *(Continued)*

(i) Analysis of cash flows in respect of the acquisition of Leshua Shangquan is as follows:

	RMB'000
Cash consideration	(2,000)
Cash and cash equivalents acquired	4,446
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,446

(ii) Revenue and profit contribution

Had Leshua Shangquan been consolidated from 1 January 2020, consolidated revenue and consolidated net profit of the Group for the year ended 31 December 2020 would have been RMB2,304,875,000 and RMB404,208,000, respectively.

(c) Acquisition of Tuozhanbao

During 2019, in order to accelerate the momentum of customer base expansion and increase product and service offerings, the Company acquired Tuozhanbao, a company incorporated in the PRC, which is solely owned by Mr. Zhang Ju ("Mr. Zhang"). Tuozhanbao is mainly engaged in provision of marketing services relating to mobile payment products in the PRC.

In connection with the Acquisition, an offshore structure was set up by Mr. Zhang. Expanded Treasure was incorporated by Clear Joyous which was in turn wholly owned by Basic Sage Investments Limited ("Basic Sage"). Basic Sage was wholly owned by Mr. Zhang. Expanded Treasure controls Tuozhanbao through a series of contractual arrangements.

In June 2019, a share purchase agreement was entered into by the Company and Mr. Zhang, pursuant to which Basic Sage transferred the entire issued share capital of Clear Joyous to the Company in exchange for the allotment and issuance of 3,871,964 ordinary shares issued by the Company to Basic Sage.

Up to 25 June 2019, all above mentioned transactions had been completed, except for the allotment and issuance of the Company's ordinary shares. As the Company had obtained the entire issued share capital of Clear Joyous and started to control Clear Joyous through board of directors representation, and the fact that the Company has been entitled to all risks and rewards of Tuozhanbao, the Directors assessed that the Acquisition was completed on 25 June 2019. The Company subsequently allotted and issued 3,871,964 ordinary shares to Basic Sage in July 2019.

33 BUSINESS COMBINATIONS *(Continued)*

(c) Acquisition of Tuozhanbao *(Continued)*

Tuozhanbao has changed corporate name to Shenzhen Lesaobei Technology Co. Ltd. in September 2020.

Goodwill of approximately RMB145,840,000 had been recognized for the Tuozhanbao acquisition, which represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. It is attributable to the acquired market share and economies of scale expected to be derived from combining the operations of Tuozhanbao with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarises the consideration to be paid for the acquisition, the fair value of assets acquired, and liabilities assumed at 30 June 2019, the acquisition date:

	RMB'000
Equity instruments issued (3,871,964 ordinary shares) (Note i)	236,660
Contingent consideration (Note ii)	(41,575)
Total consideration paid by the Company	195,085

The separately identifiable assets and liabilities recognised as a result of the Acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	4,968
Trade receivables	42,272
Prepayments and other receivables	18,004
Plant and equipment	154
Intangible assets – customer relationship	29,800
Trade and other payables	(38,503)
Deferred tax liabilities	(7,450)
Total identifiable net assets	49,245
Goodwill	145,840

33 BUSINESS COMBINATIONS *(Continued)*

(c) Acquisition of Tuozhanbao *(Continued)*

(i) The fair value of 3,871,964 ordinary shares ("Consideration Shares") issued by the Company was RMB236,660,000 which was determined based on the per share fair value of each ordinary share of the Company as at the acquisition date, using the discounted cash flow method.

(ii) As set out in the share purchase agreement, the Company shall be entitled to require Basic Sage to transfer certain number of Consideration Shares of the Company at zero consideration to an entity designated by the Company if the audited consolidated net profit after tax of Clear Joyous during the period from 1 June 2019 to 31 May 2022 does not exceed RMB400,000,000 in aggregate. The fair value of such contingent asset has been accounted for as a financial asset at fair value through profit or loss. The fair value of the contingent consideration was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis. If the estimated probability of achieving net profit target of Tuozhanbao had been 5% higher/lower, the fair value of the financial assets at FVPL as at 31 December 2020 would have been approximately 14% lower/higher (2019: 8%).

(iii) Analysis of cash flows in respect of the acquisition of Tuozhanbao in 2019 is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents acquired	4,968
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,968

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**454,462**	151,039
Adjustments for:		
Depreciation of property, plant and equipment	**19,462**	12,232
Amortization of intangible assets	**12,309**	6,305
Amortization of non-current assets	**57,366**	57,459
Loss on disposal of property, plant and equipment	**-**	6
Impairment of other receivables	**50,189**	27,411
Equity-settled share-based payments	**18,143**	9,661
Impairment and share of losses of associates	**17,964**	17,934
Net gains on deemed disposal of an associate	**(20,000)**	(2,217)
Fair value (gains)/losses on convertible redeemable preferred shares	**(125,822)**	181,521
Fair value (gains)/losses on FVPL assets	**(9,831)**	530
Gains on investments in wealth management products	**-**	(966)
Finance costs	**9,822**	5,615
Changes in working capital:		
Increase in prepayments and other receivables	**(1,115,222)**	(301,196)
Decrease/(increase) in restricted cash	**162,124**	(20,739)
Increase/(decrease) in trade and other payables	**491,819**	(19,397)
Decrease in contract liabilities	**(8,742)**	(46,268)
Cash generated from operations	**14,043**	78,930

(b) Non-cash investing and financing activities

Expect for the equity instruments issued and contingent consideration obtained as a result of Chuangxinzhong and Tuozhanbao acquisition as disclosed in Note 33, there is no other material non-cash investing or financing activities incurred during the years ended 31 December 2020 and 2019.

34 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

Net cash

	As at 31 December 2020 RMB'000	2019 RMB'000
Cash and cash equivalents	**2,542,316**	441,315
Borrowings	**(211,000)**	(136,500)
Payables to creditors	**(6,582)**	(38,738)
Lease liabilities	**(55,568)**	(27,780)
Net cash	**2,269,166**	238,297

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Borrowings RMB'000	Other payable RMB'000	Total RMB'000
Net cash as at 1 January 2020	**441,315**	**(27,780)**	**(136,500)**	**(38,738)**	**238,297**
Cash flows	**2,211,693**	**14,302**	**(67,500)**	**34,295**	**2,192,790**
Other non-cash movements	**(110,692)**	**(42,090)**	**(7,000)**	**(2,139)**	**(161,921)**
Net cash as at 31 December 2020	**2,542,316**	**(55,568)**	**(211,000)**	**(6,582)**	**2,269,166**
Net cash as at 1 January 2019	479,839	(19,413)	(45,100)	-	415,326
Cash flows	(39,459)	8,183	(91,400)	(37,500)	(160,176)
Other non-cash movements	935	(16,550)	-	(1,238)	(16,853)
Net cash as at 31 December 2019	441,315	(27,780)	(136,500)	(38,738)	238,297

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following companies are related parties of the Group that had significant transactions and/or balances with the Group during the years ended and as at 31 December 2019 and 2020.

Name of the related parties	Nature of relationship
Xun Xiang	Associate of the Group
Chao Meng	Associate of the Group
RYK Capital Partners Limited	Associate of the Group
Fushi	Associate of the Group
Tianjin Pinghe Management Consulting Partnership (Limited Partnership)	An entity control by Chuangxinzhong's management

(a) Key management personnel compensation

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**6,515**	6,722
Welfare, medical and other expenses	**73**	127
Defined contribution plan	**90**	159
Employee share schemes		
– value of employee services	**577**	3,081
	7,255	10,089

35 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Continuing transactions with related parties

(i) Technology service income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
RYK Capital Partners Limited	**1,748**	–
Fushi	**4,472**	–
	6,220	–

(ii) Marketing service income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Chao Meng	**–**	3,774

(iii) Interest income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fushi	**457**	–

35 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Continuing transactions with related parties *(Continued)*

(iv) Commissions to distribution channels

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Chao Meng	**21,389**	138,933
Xun Xiang	**646**	623
Fushi	**3,219**	450
	25,254	140,006

(v) Marketing service cost

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Xun Xiang	**15**	–
Fushi	**9,961**	–
	9,976	–

35 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Investment in preferred shares of Fushi (Note 19)	**22,000**	–
– Prepayments to related parties		
Fushi	**–**	10,000
– Trade receivables		
Fushi	**4,680**	–
– Other receivables		
Fushi	**35,000**	–
Chao Meng	**28,451**	30,000
RYK Capital Partners Limited	**670**	810
	64,121	30,810
Less: allowance for amount due from Chao Meng	**(21,504)**	(9,504)
	42,617	21,306
– Trade payables		
Fushi	**2,001**	–
– Other payables		
Tianjin Pinghe Management Consulting Partnership (Limited Partnership) (Note 28)	**85,000**	–
Chao Meng	**–**	480
	85,000	480
– Financial liabilities at FVPL		
Tianjin Pinghe Management Consulting Partnership (Limited Partnership) (Note 30)	**77,243**	–

35 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

Except for it, all the balances with related parties above were unsecured, interest free and repayable on demand.

In October 2020, the Group offered operational loan of RMB35,000,000 to Fushi with 5.25% interest per annum and borrowing period of 12 months.

36 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2020 and 2019, are set out as follows:

Year ended 31 December 2020:

Name	Director's fee	Salaries and bonuses	Allowances and benefits in kind	Employee share schemes-value of employee services	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:						
Mr. Liu Yingqi	-	1,554	-	-	48	1,602
Ms. Zhou Lingli (a)	-	2,158	-	-	39	2,197
Mr. Yao Zhijian	-	1,374	-	-	38	1,412
Mr. Luo Xiaohui (b)	-	1,430	-	577	38	2,045
Non-Executive Directors:						
Mr. Mathias Nicolaus Schilling	-	-	-	-	-	-
Mr. Akio Tanaka (c)	-	-	-	-	-	-
Independent Non-Executive Directors:						
Mr. Tam Bing Chung Benson	150	-	-	-	-	150
Mr. Yao Wei	150	-	-	-	-	150
Mr. Yang Tao	150	-	-	-	-	150
	450	6,516	-	577	163	7,706

36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

Year ended 31 December 2019:

Name	Director's fee	Salaries and bonuses	Allowances and benefits in kind	Employee share schemes-value of employee services	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:						
Mr. Liu Yingqi	-	1,605	-	-	55	1,660
Ms. Zhou Lingli (a)	-	1,780	-	-	30	1,810
Mr. Yao Zhijian	-	1,234	-	-	43	1,277
Non-Executive Directors:						
Mr. Mathias Nicolaus Schilling	-	-	-	-	-	-
Mr. Hirofumi Ono (d)	-	-	-	-	-	-
Independent Non-Executive Directors:						
Mr. Tam Bing Chung Benson	-	-	-	-	-	-
Mr. Yao Wei	-	-	-	-	-	-
Mr. Yang Tao	-	-	-	-	-	-
	-	4,619	-	-	128	4,747

36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Ms. Zhou Lingli has resigned as an executive director of the Company with effect from 4 March 2021.

(b) Mr. Luo Xiaohui was appointed as an executive director of the Company with effect from 28 August 2020.

(c) Mr. Akio Tanaka was appointed as an executive director of the Company with effect from 28 August 2020.

(d) Ms. Hirofumi Ono has resigned as an executive director of the Company with effect from 28 August 2020.

(e) There was no director received or receivable of any emolument from the Group as an inducement to join or upon joining, leave the Group or as compensation for loss of office; no directors and senior management waived or has agreed to waive any emoluments for the years ended 31 December 2020 and 2019.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2020 and 2019.

Saved as disclosed in Note 29, there were no loans, quasi-loans or other dealings entered into by the Company in favour of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2020 and 2019, respectively.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2020 and 2019.

No consideration was provided to or receivable by third parties for making available directors' services during the years ended 31 December 2020 and 2019.

37 FINANCIAL POSITION OF THE COMPANY AND NOTES TO FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	37(a)	**236,660**	236,660
Investments accounted for using the equity method		**3,962**	5,291
Property, plant and equipment		**1,713**	2,521
		242,335	244,472
Current assets			
Prepayments and other receivables	37(b)	**575,805**	156,135
Financial assets at fair value through profit or loss	19	**14,133**	–
Cash and cash equivalents	37(c)	**1,723,661**	54,770
		2,313,599	210,905
Total assets		**2,555,934**	455,377
EQUITY			
Share capital	23	**73**	31
Other reserves	37(e)	**2,780,650**	331,827
Accumulated losses		**(399,784)**	(1,258,549)
Total equity		**2,380,939**	(926,691)
LIABILITIES			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	37(d)	**–**	1,373,447
Current liabilities			
Other payables	37(f)	**174,995**	8,621
Total liabilities		**174,995**	1,382,068
Total equity and liabilities		**2,555,934**	455,377

The financial position of the Company was approved by the Board of Directors on 25 March 2021 and was signed on its behalf.

Liu Yingqi	**Yao Zhijian**
Director	*Director*

37 FINANCIAL POSITION OF THE COMPANY AND NOTES TO FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Investments in subsidiaries

The subsidiaries of the Company as at 31 December 2020 and 2019 are disclosed in Note 1.2.

(b) Prepayments and other receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Amounts due from a related party	**499,718**	48,585
Prepayments	**–**	8,010
Others	**76,087**	99,540
	575,805	156,135

(c) Cash and cash equivalents

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank	**1,723,661**	54,770

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
USD	**240,295**	33,003
HKD	**1,483,165**	21,767
RMB	**201**	–
	1,723,661	54,770

37 FINANCIAL POSITION OF THE COMPANY AND NOTES TO FINANCIAL POSITION OF THE COMPANY *(Continued)*

(d) Financial liabilities at FVPL

The movements of the convertible redeemable preferred shares are set out below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	**1,373,447**	964,071
Subscribed for Series C Preferred Shares	**–**	170,477
Issuance for Series C Preferred Shares	**–**	43,891
Changes in fair value	**(125,822)**	173,797
Currency translation differences	**28,784**	21,211
Conversion to ordinary shares	**(1,276,409)**	–
Closing balance	**–**	1,373,447

37 FINANCIAL POSITION OF THE COMPANY AND NOTES TO FINANCIAL POSITION OF THE COMPANY *(Continued)*

(e) Other Reserves

	Other reserves			
	Other reserves RMB'000	Currency translation differences RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
As at 1 January 2020	**236,657**	**(61,093)**	**156,263**	**331,827**
Issuance of ordinary shares relating to initial public offering, net of share issuance costs	**1,617,727**	**–**	**–**	**1,617,727**
Conversion of convertible redeemable preferred shares to ordinary shares	**1,276,395**	**–**	**–**	**1,276,395**
Share premium set off the accumulated losses and other reserves	**(861,158)**	**87,235**	**–**	**(773,923)**
Issuance of new shares relating to placement, net of share issuance costs	**655,596**	**–**	**–**	**655,596**
Transfer shares to the awardees upon vesting	**(22,361)**	**–**	**(152,544)**	**(174,905)**
Currency translation difference	**–**	**(170,210)**	**–**	**(170,210)**
Employee share schemes				
– value of employee services	**–**	**–**	**18,143**	**18,143**
As at 31 December 2020	**2,902,856**	**(144,068)**	**21,862**	**2,780,650**
As at 1 January 2019	–	(41,267)	146,602	105,335
Currency translation difference	–	(19,826)	–	(19,826)
Business combination	236,657	–	–	236,657
Employee share schemes				
– value of employee services	–	–	9,661	9,661
As at 31 December 2019	236,657	(61,093)	156,263	331,827

37 FINANCIAL POSITION OF THE COMPANY AND NOTES TO FINANCIAL POSITION OF THE COMPANY *(Continued)*

(f) Other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Amounts due to related parties	**174,995**	8,621

38 CONTINGENCIES

Saves as disclosed elsewhere in the financial statements, the Group had no material contingent liabilities outstanding as at 31 December 2020 and 2019.

39 COMMITMENT

On 24 December 2020, the Company as a purchaser entered into a share purchase agreement with original shareholders of Chuangxinzhong Ltd. ("the Vendors"), pursuant to which the Company has agreed to purchase, and the Vendors have agreed to sell the entire issued share capital of Chuangxinzhong Ltd., at a total consideration of RMB170,000,000. The consideration shall be settled partially by (i) payment of the amount of RMB15,000,000 and (ii) the allotment and issue of 4,902,718 new shares of US$0.000025 each in the share capital of the Company to the Vendors at the issue price of HKD37.50, which is subject to certain regulatory approval and other completion conditions.

As at 31 December 2020 and up to the date of this report, the aforementioned transaction is still under process as certain completion conditions are not yet satisfied. After the transaction, the Company will hold a total of 85% equity interest in Chuangxinzhong directly and indirectly.

40 EVENTS AFTER BALANCE SHEET DATE

On 7 January 2021, the Company granted a total of 390,000 RSUs to a total of six grantees. The RSUs granted represent approximately 0.09% of the issued share capital of the Company on 31 December 2020.

On 7 January 2021, the Company granted a total of 4,586,000 Share Options to 121 grantees in accordance with the Share Option Scheme to subscribe for a total of 4,586,000 Shares, representing approximately 1.03% of the issued share capital of the Company on 31 December 2020.

DEFINITIONS

"AGM"	the annual general meeting of the Company to be held on June 25, 2021;
"Articles of Association"	the articles of association of the Company (as amended from time to time) adopted on April 30, 2020;
"Audit Committee"	the audit committee of the Company;
"Auditor"	PricewaterhouseCoopers, the auditor of the Company;
"Beijing Chuangxinzhong"	Beijing Chuangxinzhong Technology Co., Ltd. (北京創信眾科技有限公司), a limited company established in the PRC on March 12, 2018 and an indirect non-wholly owned subsidiary of the Company;
"Board"	the board of Directors;
"Bright Usening"	Bright Usening Limited, a limited liability company incorporated in the BVI which is wholly-owned by Mr. Zhang Guoxian;
"business day" or "Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business;
"BVI"	the British Virgin Islands;
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules;
"China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly;
"Chuangxinzhong HK"	a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of CHUANGXINZHONG LTD;
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as amended or supplemented or otherwise modified from time to time) of the Cayman Islands;

DEFINITIONS

"Company", "our Company", "the Company" or "Yeahka"	YEAHKA LIMITED (移卡有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 8, 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries;
"Contractual Arrangements"	a series of contractual arrangements entered into on October 29, 2019 by, among others, Yeahka WFOE, the PRC Consolidated Entities and their respective shareholders, details of which are described in the section headed "Directors' Report — Connected Transactions — Continuing Connected Transactions — Contractual Arrangements" in this annual report;
"Creative Brocade"	Creative Brocade Ltd., an exempted company incorporated in the BVI with limited liability on September 7, 2011 and wholly-owned by Mr. Liu Yingqi, and one of our controlling shareholders;
"Creative Brocade International"	Creative Brocade International Limited, an exempted company incorporated in the BVI with limited liability on November 15, 2019 and held as to 99.9% by Brocade Creation and 0.1% by Creative Brocade, and one of our controlling shareholders;
"Director(s)"	the director(s) of the Company;
"Fushi"	Fushi Technology (Shenzhen) Co., Ltd (深圳市富匙科技有限公司), a company established in the PRC on April 12, 2016 with limited liability;
"Global Offering"	the Hong Kong public offering and the international offering of the Shares;
"GPV"	gross payment volume;
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries and the PRC Consolidated Entities from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be);

"Guangzhou Feiquan"	Guangzhou Feiquan Micro Lending Co., Ltd. (廣州飛泉小額貸款有限公司), a limited company established in the PRC on July 30, 2019, a wholly-owned subsidiary of Shenzhen Yeahka, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities;
"HKD", "Hong Kong Dollars", "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"ICP License"	the internet content provider license for the provision of internet information services;
"IFRS"	International Financial Reporting Standards;
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Listing Rules;
"Joint Global Coordinators"	CLSA Limited, Nomura International (Hong Kong) Limited and ABCI Capital Limited;
"Latest Practicable Date"	April 13, 2021, being the latest practicable date prior to the bulk printing and publication of this annual report for the purpose of ascertaining certain information contained in this report;
"Lesaobai"	Shenzhen Lesaobai Technology Co. Ltd. (深圳樂掃唄科技有限公司) (formerly known as Tuozhanbao Internet Financial Services (Shenzhen) Co., Ltd. (拓展寶互聯網金融服務(深圳)有限公司)), a limited liability company established in the PRC on December 24, 2015;
"Leshua Technology"	Leshua Technology Co., Ltd. (樂刷科技有限公司), a limited liability company established under the laws of the PRC on July 31, 2013, a wholly-owned subsidiary of Shenzhen Yeahka, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities;

"Letuobao"	Shenzhen Letuobao Technology Co., Ltd. (深圳樂拓寶科技有限公司), a limited liability company established in the PRC on August 1, 2019 and an indirect wholly-owned subsidiary of our Company;
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange;
"Listing Date"	the date, being June 1, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange;
"Memorandum"	the memorandum of association of our Company (as amended from time to time), adopted on April 30, 2020;
"Mobile Quickpass"	the UnionPay mobile application (雲閃付), a unified mobile payment portal of China's banking industry launched by China UnionPay, which offers one-stop mobile payment services to its users;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"NetsUnion"	China Nets Union Clearing Corporation (中國網聯清算有限公司);
"Nomination Committee"	the nomination committee of the Company;
"Over-allotment Option"	the option granted by our Company to the international underwriters, exercisable by the Joint Global Coordinators (on behalf of the international underwriters), pursuant to which our Company was required to allot and issue an aggregate of 14,808,400 Shares at HKD16.64 to cover over-allocations in the international offering as further described in the section headed "Structure of the Global Offering" in the Prospectus;

"Pandemic"	the outbreak of the coronavirus disease 2019 (COVID-19);
"Payment License"	payment business license issued by the PBOC (支付業務許可證);
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"Penguin Financial"	Shenzhen Penguin Financial Technology Co., Ltd. (深圳市企鵝金融科技有限公司), a limited liability company incorporated in the PRC on June 4, 2014, which is a subsidiary of Shiji Kaixuan Technology Co., Ltd (深圳市實際凱旋科技有限公司);
"PRC Consolidated Entities"	Shenzhen Yeahka, Leshua Technology, and Guangzhou Feiquan, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements;
"PRC Government"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them;
"PRC Legal Advisors"	Han Kun Law Offices;
"Pre-IPO Stock Incentive Scheme"	the pre-IPO stock incentive scheme of the Company approved and adopted by the Board on January 1, 2013, and as subsequently amended, the principal terms of which are set out in "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Stock Incentive Scheme" in Appendix IV to the Prospectus;
"Prospectus"	the prospectus of the Company dated May 20, 2020;
"Qianhai Saosao"	Shenzhen Qianhai Saosao Technology Co., Ltd (深圳市前海掃掃科技有限公司), a limited liability company established in the PRC on September 13, 2016 and an indirect wholly-owned subsidiary of our Company;
"Registered Shareholders"	the registered shareholders of Shenzhen Yeahka, namely, Mr. Liu Yingqi, Mr. Qin Baoan, Shenzhen Tencent and Penguin Financial;
"Reorganization"	the reorganization of the Group in preparation of the Listing, details of which are set out in "History, Reorganization and Corporate Structure — Corporate Reorganization" in the Prospectus;

"Restructuring"	the restructuring of CHUANGXINZHONG LTD pursuant to the share purchase agreement dated December 24, 2020, after which Chuangxinzhong HK will hold 42.5% equity interest of Beijing Chuangxinzhong;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSU"	restricted share unit(s);
"RSU Eligible Person(s)"	Person(s) eligible to receive RSUs under the RSU Scheme who is/are existing director(s) (whether executive or non-executive, but excluding independent non-executive directors(s)), senior management or officer(s) of the Company or any of the subsidiaries of the Company;
"RSU Nominee 1"	Yeah Talent Holding Limited, a company incorporated in the BVI on November 6, 2019, a wholly-owned subsidiary of the RSU Trustee and will hold 13,500,968 Shares underlying the RSUs granted and to be granted for the benefit of eligible participants pursuant to the RSU Scheme upon Listing;
"RSU Nominee 2"	Yeah United Holding Limited, a company incorporated in the BVI on November 6, 2019, a wholly-owned subsidiary of the RSU Trustee and will hold 24,951,984 Shares underlying the RSUs granted and to be granted for the benefit of eligible participants pursuant to the RSU Scheme upon Listing;
"RSU Participant(s)"	the participant(s) in the RSU Scheme;
"RSU Scheme"	the restricted share unit scheme of our Company approved and adopted by our Board on August 1, 2019;
"RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the RSU Scheme;
"SaaS"	a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented from time to time;
"Share(s)"	ordinary shares in the capital of our Company with nominal value of US$0.000025 each;

"Share Subdivision"	the share subdivision referred to in "Statutory and General Information — A. Further Information about our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on April 30, 2020" in Appendix IV to the Prospectus;
"Shareholder(s)"	holder(s) of Share(s);
"Shenzhen Feiquan"	Shenzhen Feiquan Cloud Data Services Co., Ltd. (深圳市飛泉雲數據服務有限公司), a limited company established in the PRC on February 23, 2016 and an indirect wholly-owned subsidiary of our Company;
"Shenzhen Tencent"	Shenzhen Tencent Domain Computer Network Co., Ltd. (深圳市騰訊網域計算器網路有限公司), a limited company incorporated in the PRC on April 28, 1997, which is a subsidiary of Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent;
"Shenzhen Xunxiang"	Shenzhen Xunxiang Technology Co., Ltd. (深圳市迅享科技有限公司), a company established in the PRC on July 23, 2013 with limited liability;
"Shenzhen Yeahka"	Shenzhen Yeahka Technology Co., Ltd. (深圳市移卡科技有限公司), a limited company established in the PRC on June 16, 2011, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities;
"Source Winner"	Source Winner Limited, a limited liability company incorporated in the BVI which is wholly-owned by Mr. Qin Lingjin;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Tencent"	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be;
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States;

"UnionPay"	China UnionPay (中國銀聯股份有限公司), the only bank card clearing house and bank card association in China, who operates an inter-bank transaction settlement system through which the connection and switch between banking systems and the interbank, cross-region usages of bank cards issued by associate banks may be realized;
"Yeahka HK"	Yeahka Technology Limited, a limited company incorporated under the laws of Hong Kong on October 7, 2011 and a wholly-owned subsidiary of our Company;
"Yeahka WFOE"	Yeahka Technology (Shenzhen) Co., Ltd. (宜卡科技(深圳)有限公司), a limited company established under the laws of the PRC on May 17, 2012 and an indirect wholly-owned subsidiary of our Company; and
"%"	per cent.

In this annual report, the terms "associate", "close associate", "connected person", "connected transaction", "continuing connected transaction", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Yeahka 移卡