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Yeahka 移卡

YEAHKA LIMITED

移卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9923)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

AND

UPDATE ON DISCLOSEABLE AND CONNECTED TRANSACTION

The board (the “**Board**”) of directors (the “**Directors**”) of YEAHKA LIMITED (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2023 (the “**Reporting Period**” or “**Period**”). These interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

BUSINESS REVIEW AND OUTLOOK

Business Highlights

- **One-stop payment services growth boosted by broadened merchant base and diversified channel network:**
 - Total gross payment volume (“GPV”) of one-stop payment services increased by **33.5%** year-on-year to reach **RMB1,419.2 billion**, out of which **70.5%** was app-based payment services;
 - Number of active payment services merchants¹ increased by **20.7%** year-on-year to **9.2 million**;
 - Fee rate² increased to **12.9 basis points (bps)** in the first half of 2023 from 12.0 bps in the first half of 2022 and continues to trend upward;
 - The peak daily count of app-based payment transactions reached nearly **60 million**;
 - Number of independent sales agents in our nationwide channel network reached nearly **19,000**, and number of application programming interface (API) partners in our cloud payment platform reached over **4,000**.
- **In-store e-commerce services maintain strong growth momentum:**
 - Total gross merchandise value (“GMV”) of in-store e-commerce services exceeded **RMB2.4 billion**, increasing by **78.9%** year-on-year and **23.8%** from the second half of 2022.
- **Merchant solutions benefited from cross-segment synergy after post-pandemic reopening:**
 - Number of active merchant solutions merchants for the six months ended June 30, 2023 exceeded **1.5 million**, increasing by **6.2%** year-on-year and **25.7%** from the second half of 2022.

About Yeahka

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

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

² After the impact of the “Non-Recurring Adjustment on Revenue”.

Strategic Progress and Outlook

During the first half of 2023, we achieved solid revenue growth as our businesses benefited from the recovery in domestic consumption. We grew our one-stop payment services' GPV and number of active payment services merchants while our market share in the competitive in-store e-commerce services segment and the GMV of in-store e-commerce services sustained rapid growth. In addition, we boosted merchant conversions from our one-stop payment services to our merchant solutions and in-store e-commerce services and strengthened user stickiness through ongoing digital and AI-driven transformation. Non-IFRS adjusted EBITDA increased significantly year-on-year, reflecting our effectiveness in improving operational efficiencies.

The following table provides comparative figures for the six months ended June 30, 2023, June 30, 2022 and December 31, 2022, respectively, illustrating our business model's ability to sustain robust growth momentum while maximizing operating efficiencies and leveraging synergies across our three business lines:

	For the six months ended			Year-on-year change (%)	Half-on-half change (%)
	June 30 2023 RMB'000 (unaudited)	June 30 2022 RMB'000 (unaudited)	December 31 2022 RMB'000 (unaudited)		
Revenue ⁽¹⁾	2,062,235	1,641,845	1,776,190	25.6	16.1
– One-stop payment services ⁽¹⁾	1,835,337	1,271,485	1,482,767	44.3	23.8
– App-based payment services	1,424,662	1,010,119	1,151,992	41.0	23.7
– Traditional payment services	410,675	261,366	330,775	57.1	24.2
– Merchant solutions	166,922	208,808	100,754	(20.1)	65.7
– In-store e-commerce services	59,976	161,552	192,669	(62.9)	(68.9)
Gross profit ⁽¹⁾	366,001	529,332	501,612	(30.9)	(27.0)
Gross profit margin ⁽¹⁾	17.7%	32.2%	28.2%	(14.5) ⁽²⁾	(10.5) ⁽²⁾
Profit for the period ⁽¹⁾	30,350	21,251	74,762	42.8	(59.4)
Non-IFRS measure ⁽³⁾ : adjusted EBITDA	290,923	69,707	143,698	317.4	102.5

Note:

- (1) During the Reporting Period, we paid approximately RMB172 million in aggregate in relation to interchange fee rate adjustments to a suspense account of the payment networks following their request. We netted off such payments from our revenue for the six months ended June 30, 2023 based on our preliminary communication with the payment networks. The overall impact on our revenue, totaling approximately RMB162 million after deduction of the related value-added tax, is non-recurring (“**Non-Recurring Adjustment on Revenue**”).
- (2) Percentage points.
- (3) For details of our Non-IFRS measure, see “Management Discussion and Analysis – Non-IFRS Measure.”

For the six months ended June 30, 2023, our revenue increased by 25.6% to RMB2,062.2 million from RMB1,641.8 million for the comparative period in 2022. Revenue from our one-stop payment services, despite being partially offset by the Non-Recurring Adjustment on Revenue, increased by 44.3% compared with the first half of 2022, mainly due to (i) the 33.5% growth in the total GPV to RMB1,419.2 billion from RMB1,063.2 billion in the first half of 2022, in which we primarily serve small and medium merchants from a wide range of industries, including food and beverages, retail and wholesale, etc., representing the key components of consumer staples sector which are less volatile to macro turbulence; and (ii) the increase in our fee rate to 12.9 bps from 12.0 bps in the first half of 2022. Revenue from our in-store e-commerce services decreased by 62.9% year-on-year in the first half of 2023 compared with the first half of 2022, primarily due to the continued implementation of our co-op model and strategic short-term incentives extended to merchants since the second half of 2022 to boost GMV growth.

Our gross profit decreased by 30.9% to RMB366.0 million in the first half of 2023 from RMB529.3 million in the first half of 2022, and our gross profit margin decreased to 17.7% in the first half of 2023 from 32.2% in the first half of 2022. These decreases were mainly attributable to the netting off of the non-recurring impact of approximately RMB162 million in relation to interchange fee rate adjustments from our revenue for the Reporting Period based on our preliminary communication with the payment networks. Adjusted EBITDA, an indication of our core operating results and financial performance, increased to RMB290.9 million in the first half of 2023, representing a growth of 317.4% compared with the first half of 2022. Our in-store e-commerce services' net loss narrowed to RMB25.9 million in the first half of 2023 from RMB159.4 million in the first half of 2022 due to the scaling effect and improved operating efficiencies. In addition, in-store e-commerce services' gross profit margin increased to 76.9% in the first half of 2023 from 57.1% in the first half of 2022.

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

One-Stop Payment Services: Outstanding Performance and Rapid Expansion Reflect Strategic Excellence

As offline consumption recovered, our visionary strategy and outstanding execution drove a 33.5% increase in GPV year-on-year, with growing numbers of active payment services merchants and peak daily count of app-based payment transactions, we continued to lead the industry and outpace the industry's growth. We widened our agent network to nearly 19,000 independent sales agents and more than 4,000 cloud payment partners through application programming interfaces (APIs) during the Reporting Period, spurring a rapid expansion of our business scale while broadening our coverage of small, medium, and large-sized merchants as well as vertical brand leaders in over 300 cities across China. Furthermore, we developed key account merchant solutions for industry verticals, such as retail, tourism and entertainment, and extended one-stop payment services to target thousands of branded franchise and chain stores, providing account management, account-sharing settlement, customized cash withdrawal, operations support and other services. At the same time, steadfast in our compliance with local laws and regulations in China as well as the international markets in which we operate, we remain highly proactive in the areas of fraud prevention and risk mitigation, including championing our robust anti-money laundering protection and monitoring systems that safeguard against gambling and telecoms fraud.

Our comprehensive expansion drove a 44.3% year-on-year increase in revenue during the Reporting Period. Our revenue was partially offset by an amount of approximately RMB162 million as we netted off the payments in relation to interchange fee rate adjustments from revenue for the Period based on our preliminary communication with the payment networks.

Despite being partially offset by the impact of the Non-Recurring Adjustment on Revenue, during the Reporting Period, our overall fee rate increased to 12.9 bps from 12.0 bps during the comparative period in 2022, as we leveraged the offline consumption recovery, our leading position in app-based payments, and improvements in the competitive landscape to propel growth. Specifically, our app-based fee rate increased from 13.5 bps in the first half of 2022 to 14.2 bps in the first half of 2023, while our traditional payment fee rate increased from 8.4 bps in the first half of 2022 to 9.8 bps in the first half of 2023. Given this strong showing, we can confidently reiterate our previous full-year 2023 GPV guidance between RMB2.7 trillion and RMB2.9 trillion.

Further supporting our business expansion, we have made great strides in our joint merchant acquiring services with over 100 commercial banks. We also cooperated with partners to develop a unified digital currency and RMB settlement solution, so that e-CNY payments do not need to be settled separately within a digital currency wallet. We are confident that supporting digital currency payments will attract new customers and solidify our competitive edge. With respect to overseas markets, we have kick-started our business in Singapore and Hong Kong, China, and have assembled a team in Indonesia, while making steady progress in our cooperation with e-wallets, card-issuing banks and clearing networks to provide cross-border and local payment services, such as bank card & QR-code acceptance and remittance, etc.

Going forward, we will promote our business expansion by cultivating merchant relationships and strengthening distribution channels domestically while seeking new opportunities worldwide to apply our domestic payment expertise to overseas markets. Meanwhile, we will continue to innovate products, services and business models, enabling us to expand our customer base and inspire long-term merchant loyalty.

In-store E-commerce Services: Expanding Traffic Partnerships and Improving Operating Efficiency via AI Technology and Co-op Strategy

During the Reporting Period, under the premise of achieving breakeven as our primary focus, we have delivered a record high GMV, which exceeded RMB2.4 billion, representing a year-on-year increase of 78.9%. Meanwhile, our revenue during the Reporting Period decreased in the short term primarily due to the roll-out of our co-op model strategy and the implementation of the strategic fee discounts to our merchants to boost GMV growth. However, benefiting from our leading market position, gross profit margin increased to 76.9% in the first half of 2023 from 57.1% in the first half of 2022, while net loss continued to narrow by 83.8% year-on-year to RMB25.9 million in the first half of 2023, demonstrating our economies of scale.

To improve our cost and expense structure, our AI Lab has developed a wide range of AI capabilities based on the application of AI Generated Content (AIGC) products, including AI content generating tools, AI cloud editing tools with more than 10 functions to auto-generate promotional materials and short videos. We have also introduced AI-powered interactive virtual hosts in live-streaming setting to further reduce KOL costs. These initiatives saved more than 90% on editing and production costs and improved 70% content creation efficiency.

The market competition intensified in the first half 2023, as thousands of small players with local resources poured into this market. We firmly adhered to our sustainable goal of achieving monthly breakeven as top priority. Notably, the co-op model we introduced in the first half of 2023 turned the challenges into opportunities. Small local teams have strong merchant relationships, but usually lack the ability to produce graphic and video contents, cooperate with KOLs, and acquire online traffic economically. Our operational capabilities and AI technology empower these teams to operate more efficiently and effectively on content-driven traffic platforms in the long term. Combined with self-operated sites in higher tier cities, our merchant service strategy realized organizational optimization and cost control, therefore, effectively narrowed down loss.

We position ourselves as a local lifestyle aggregation platform. To better assist merchants in marketing and branding, we continued to expand our diversified traffic partner base to include Douyin, Kuaihou, Amap, Pinduoduo, etc., capitalizing on our vast merchant base of nearly 9.2 million from one-stop payment business and our content offerings via short videos, graphic displays and live streaming.

According to iResearch’s estimates published in 2020, the market size of the local lifestyle services market in China is expected to reach RMB35 trillion by 2025, implying a compounded annualized growth rate of 12.6% from 2020 to 2025, while the expected online penetration rate is only 30.8% in 2025. As the market evolves, less competitive players will eventually exit due to a less efficient operating model, and more content driven traffic platforms will enter and expand local lifestyle service offerings by seeking for nationwide partners like us. Fully utilizing our resources and capabilities within our ecosystem, we will continue to be the long-term partner for merchants and traffic platforms, and this business segment is on track to contribute more revenue and cross-selling opportunities to our other business lines.

Merchant Solutions: Merchant Conversions and Economic Recovery Drive Growth

Our merchant solutions assist small and medium merchants in digitalizing their offline business operations. We have integrated an array of merchant solutions within our payment Apps, creating a one-stop experience for merchants and allowing us to convert customers from one-stop payment services to merchant solutions seamlessly with few additional customer acquisition costs. We have enhanced our servicing capabilities and user adoption, demonstrated by a significant increase in the number of merchants utilizing our merchant solutions, which reached 1.5 million in the first half of 2023, compared with 1.2 million in the second half of 2022, as we continued to cultivate merchants’ usage habits with intuitive and easy-to-use tools. As a result, during the Reporting Period, merchant solutions revenue increased by 65.7% compared with the second half of 2022. The result represents a solid recovery of user scale and per merchant monetization from the low-water mark in 2022 when pandemic-driven economic turbulence negatively impacted this segment.

Company Outlook

Our commitment to creating value for small and medium merchants and consumers alike serves as the foundation of our business, positioning us to continue capturing opportunities in the vast offline consumption, merchant digitalization and local lifestyle services segments. To help propel our ongoing growth, we are deploying cross-marketing initiatives across our digital ecosystem and strengthening our internationalization efforts. Furthermore, we are investing in our AI-based applications to embrace the possibilities brought by our payment-based technology platform and expect AI to practically optimize our cost structure and improve operational efficiencies, enabling us to better serve our users and partners.

Share Purchase Pursuant to the RSU Scheme and Share Repurchase

During the Reporting Period, the trustee of the restricted share unit scheme (the “**RSU Scheme**”) has utilized an aggregate of approximately HKD33.8 million (including commission and transaction cost) to purchase 1,893,600 shares of the Company (“**Share(s)**”) on market at a consideration ranging from HKD16.8 to HKD21.5 per Share. The Shares purchased during such period represent 0.425% of the issued Shares as at June 30, 2023. During the Reporting Period, the Company has also utilized an aggregate of approximately HKD0.4 million (including commission and transaction cost) to repurchase 21,200 Shares on market at a consideration ranging from HKD20.5 to HKD21.25 per Share. The Shares repurchased during such period represent 0.005% of the issued Shares as at June 30, 2023. All of the Shares repurchased during the Reporting Period were subsequently cancelled by the Company.

Environmental, Social and Governance (“ESG”)

Embracing sustainable development is a crucial part of our long-term growth strategy. Accordingly, in line with growing our businesses, we continued to strengthen our ESG commitment to create long-term social value. In 2022, we participated in evaluations by the S&P Global ESG Scores and Hang Seng Corporate Sustainability Indexes for the first time, earning scores of 48 and A-(54.02), respectively. Moreover, we were selected for S&P’s “2023 Sustainability Yearbook (China edition)” during the Reporting Period, making us an industry pioneer.

On the environmental front, we proactively addressed issues such as climate change, energy conservation and waste management, by implementing a green operation strategy. During the Reporting Period, we continued to optimize the system structure, improving the effective utilization rate of computing resources and centralizing resource allocation through Yeahka’s private cloud. This initiative reduced the energy consumption of approximately 47 servers. In addition, we enthusiastically promoted green office practices internally and campaigned externally for the International Day of Forests, raising environmental protection awareness and broadening knowledge among consumers.

On the social front, we continued to strengthen our transaction risk control. During the Reporting Period, we made nearly 10 billion risk decisions and conducted risk treatment on nearly 10 million risk transactions, effectively ensuring transaction safety. While continuously creating value, we are committed to building a diversified team, providing career development opportunities and various benefits, as well as enhancing the occupational health and safety system. Furthermore, we helped micro and small merchants develop through our related public welfare projects. Among these, we have created, as our own intellectual property, an exclusive short video channel, “Kaka Eats Street Food,” for micro and small merchants, telling their stories, promoting their brands, and assisting in the recovery of the “hustle and bustle economy.”

On the corporate governance front, we continued to improve the governance structure through various measures, such as establishing a health and safety management committee for the Group and a designated team to assist micro and small merchants. We integrated ESG elements into our risk management and governance and continuously carried out compliance and risk-related training to fortify our risk management capabilities. During the Reporting Period, we undertook multiple trainings as well as published manuals on anti-corruption, operation compliance, and the Sunshine Code of Conduct, etc., covering 100% of our employees. Besides, we refined our Anti-Money Laundering Policy and established a whistleblowing mechanism to protect the interests of our customers and valued shareholders. Specifically, we listened to the legitimate rights and interests of minority shareholders and maintained consistent communication with them through various means.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2023

	For the six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	2,062,235	1,641,845
Cost of revenue	<u>(1,696,234)</u>	<u>(1,112,513)</u>
Gross profit	366,001	529,332
Selling expenses	(82,906)	(234,012)
Administrative expenses	(151,257)	(151,545)
Research and development expenses	(122,703)	(133,964)
Net impairment losses on financial assets	(7,856)	(28,952)
Other income	29,632	21,635
Fair value changes of financial assets and financial liabilities at fair value through profit or loss - net	60,756	68,443
Other gains/(losses) – net	<u>2,389</u>	<u>(2,781)</u>
Operating profit	94,056	68,156
Finance costs	(44,662)	(15,036)
Share of losses of investments accounted for using the equity method	<u>(5,487)</u>	<u>(8,067)</u>
Profit before income tax	43,907	45,053
Income tax expenses	<u>(13,557)</u>	<u>(23,802)</u>
Profit for the Period	<u>30,350</u>	<u>21,251</u>
Profit for the Period attributable to:		
Equity holders of the Company	33,163	75,103
Non-controlling interests	<u>(2,813)</u>	<u>(53,852)</u>
Adjusted EBITDA	<u>290,923</u>	<u>69,707</u>

Revenue

We generate revenue primarily through our three main types of business, namely (i) one-stop payment services; (ii) in-store e-commerce services; and (iii) merchant solutions. Our revenue increased by 25.6% from RMB1,641.8 million for the six months ended June 30, 2022 to RMB2,062.2 million for the comparative period in 2023, primarily due to the growth in one-stop payment services.

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

	For the six months ended June 30,			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Revenue from one-stop payment services	1,835,337	89.0	1,271,485	77.5
Revenue from in-store e-commerce services	59,976	2.9	161,552	9.8
Revenue from merchant solutions	166,922	8.1	208,808	12.7
Total	<u>2,062,235</u>	<u>100.0</u>	<u>1,641,845</u>	<u>100.0</u>

One-stop payment services

Revenue from our one-stop payment services increased by 44.3% from RMB1,271.5 million for the six months ended June 30, 2022 to RMB1,835.3 million for the comparative period in 2023, primarily due to the increase in (i) the total GPV we processed, (ii) the number of active payment services merchants and (iii) the fee rate, as a result of our effective marketing and channel strategy.

In-store e-commerce services

Revenue from in-store e-commerce services decreased by 62.9% from RMB161.6 million for the six months ended June 30, 2022 to RMB60.0 million for the comparative period in 2023, primarily due to the roll-out of our co-op model strategy and the implementation of the strategic short-term fee discounts to our merchants to encourage growth in GMV and merchants' brand recognition.

Merchant solutions

Revenue from our merchant solutions decreased by 20.1% from RMB208.8 million for the six months ended June 30, 2022 to RMB166.9 million for the comparative period in 2023 as the number of subscribed merchants has yet to recover fully.

Cost of Revenue

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

	For the six months ended June 30,		2022	
	2023			
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Commission and fees	1,625,299	95.8	1,070,718	96.2
Amortization of non-current assets	43,708	2.6	14,676	1.3
Raw materials and consumables	8,321	0.5	7,250	0.7
Others	18,906	1.1	19,869	1.8
Total	1,696,234	100.0	1,112,513	100.0

Our cost of revenue increased by 52.5% from RMB1,112.5 million for the six months ended June 30, 2022 to RMB1,696.2 million for the comparative period in 2023, primarily due to the increase in commission paid to our payment distribution channels following the increase in the total GPV of one-stop payment services.

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

	For the six months ended June 30,		2022	
	2023			
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
One-stop payment services	1,661,679	98.0	1,005,850	90.4
In-store e-commerce services	13,828	0.8	69,282	6.2
Merchant solutions	20,727	1.2	37,381	3.4
Total	1,696,234	100.0	1,112,513	100.0

Gross Profit and Gross Profit Margin

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

	For the six months ended June 30,			
	2023		2022	
	Gross profit RMB'000 (unaudited)	Gross profit margin %	Gross profit RMB'000 (unaudited)	Gross profit margin %
One-stop payment services	173,658	9.5	265,635	20.9
In-store e-commerce services	46,148	76.9	92,270	57.1
Merchant solutions	146,195	87.6	171,427	82.1
Total	366,001	17.7	529,332	32.2

Our gross profit decreased by 30.9% from RMB529.3 million for the six months ended June 30, 2022 to RMB366.0 million for the comparative period in 2023 as a result of the decrease in gross profit margin of our one-stop payment services.

Our gross profit margin decreased from 32.2% for the six months ended June 30, 2022 to 17.7% for the comparative period in 2023.

Gross profit margin of our one-stop payment services decreased from 20.9% for the six months ended June 30, 2022 to 9.5% for the comparative period in 2023 as we offered higher commissions to our payment distribution channels temporarily while increasing our fee rate to facilitate our expansion strategy.

Gross profit margin of in-store e-commerce services increased from 57.1% for the six months ended June 30, 2022 to 76.9% for the comparative period in 2023.

Gross profit margin of merchant solutions increased from 82.1% for the six months ended June 30, 2022 to 87.6% for the comparative period in 2023.

Selling Expenses

Our selling expenses decreased by 64.6% from RMB234.0 million for the six months ended June 30, 2022 to RMB82.9 million for the comparative period in 2023, primarily due to the decrease in sales fees as our investment in in-store e-commerce services has been stabilized.

Administrative Expenses

Our administrative expenses decreased by 0.2% from RMB151.5 million for the six months ended June 30, 2022 to RMB151.3 million for the comparative period in 2023.

Research and Development Expenses

Our research and development expenses decreased by 8.4% from RMB134.0 million for the six months ended June 30, 2022 to RMB122.7 million for the comparative period in 2023, primarily due to the improvement in the effectiveness of our systems development.

Net impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased by 72.9% from RMB29.0 million for the six months ended June 30, 2022 to RMB7.9 million for the comparative period in 2023 because we have strengthened the collection of trade receivables during the Reporting Period and the impairment losses accrued in the previous year were reversed accordingly.

Other Income

Our other income increased by 37.0% from RMB21.6 million for the six months ended June 30, 2022 to RMB29.6 million for the comparative period in 2023, primarily due to the increase in interest income from bank deposits.

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

We recorded fair value changes of financial assets and financial liabilities at fair value through profit or loss - net of RMB68.4 million for the six months ended June 30, 2022 and RMB60.8 million for the six months ended June 30, 2023 respectively, primarily due to the fair value gains from the investments in preferred shares and related financial instruments of an investment company, Fushi Technology (Shenzhen) Co., Ltd. (深圳市富匙科技有限公司).

Other Gains/(Losses) – Net

We recorded other losses – net of RMB2.8 million for the six months ended June 30, 2022 and other gains – net of RMB2.4 million for the six months ended June 30, 2023 respectively, which were primarily due to the gains or losses in exchange rates during the respective periods.

Operating Profit

As a result of the foregoing, we recorded operating profit of RMB68.2 million for the six months ended June 30, 2022 and RMB94.1 million for the comparative period in 2023.

Finance Costs

Our finance costs increased by 197.0% from RMB15.0 million for the six months ended June 30, 2022 to RMB44.7 million for the comparative period in 2023 primarily due to the increase in interest expenses on our borrowings and convertible bonds.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method decreased by 32.0% from RMB8.1 million for the six months ended June 30, 2022 to RMB5.5 million for the comparative period in 2023, primarily due to the improvement of financial performances in certain of our associates in the Reporting Period.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax decreased by 2.5% from RMB45.1 million for the six months ended June 30, 2022 to RMB43.9 million for the comparative period in 2023.

Income Tax Expenses

Our income tax expenses decreased by 43.0% from RMB23.8 million for the six months ended June 30, 2022 to RMB13.6 million for the comparative period in 2023. Our effective tax rate was 52.8% for the six months ended June 30, 2022 and our effective tax rate was 30.9% for the six months ended June 30, 2023. The decrease in our effective tax rate was mainly due to the narrowing of the net loss of our in-store e-commerce services during the Reporting Period as the losses were not recognized as deferred tax assets due to our prudent approach.

Profit for the Period

As a result of the foregoing, our profit increased by 42.8% from RMB21.3 million for the six months ended June 30, 2022 to RMB30.4 million for the six months ended June 30, 2023.

Non-IFRS Measure

We adopt adjusted EBITDA, 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 EBITDA facilitates 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. In addition, our adjusted EBITDA excludes certain non-cash or non-recurrent items such as share-based compensation expenses, and fair value changes of financial assets and financial liabilities at fair value through profit or loss. We believe that the non-IFRS measure is commonly adopted by our industry peers and 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 adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and the investors and shareholders of the Company (the “**Shareholders**”) should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Profit for the period	30,350	21,251
Add:		
Finance costs	44,662	15,036
Amortization of non-current assets	43,708	14,676
Depreciation of property, plant and equipment	20,798	22,288
Amortization of intangible assets	9,230	13,705
Income tax expenses	13,557	23,802
	<hr/>	<hr/>
EBITDA	162,305	110,758
Add:		
Share-based compensation expenses	26,921	27,392
Non-Recurring Adjustment on Revenue ⁽¹⁾	162,453	–
Deduct:		
Fair value changes of financial assets and financial liabilities at fair value through profit or loss - net	(60,756)	(68,443)
	<hr/>	<hr/>
Adjusted EBITDA	290,923	69,707

Note:

- (1) During the Reporting Period, we paid approximately RMB172 million in aggregate in relation to interchange fee rate adjustments to a suspense account of the payment networks following their request. We netted off such payments made to the suspense account from our revenue for the six months ended June 30, 2023 based on our preliminary communication with the payment networks. The above adjustment on revenue, totaling approximately RMB162 million after deduction of the related value-added tax, is non-recurring.

Our adjusted EBITDA for the period increased by 317.4% from RMB69.7 million for the six months ended June 30, 2022 to RMB290.9 million for the comparative period in 2023, primarily due to our effectiveness in improving operational efficiencies.

Capital Structure

Our total assets increased from RMB7,290.0 million as of December 31, 2022 to RMB7,662.4 million as of June 30, 2023. Our total liabilities increased from RMB4,608.7 million as of December 31, 2022 to RMB4,951.1 million as of June 30, 2023. Liabilities-to-assets ratio increased from 63.2% as of December 31, 2022 to 64.6% as of June 30, 2023.

Our current ratio, being current assets divided by current liabilities as of the respective date, decreased from 1.39 as of December 31, 2022 to 1.34 as of June 30, 2023.

Liquidity, Capital Resources and Gearing

The Group has adopted a prudent approach in financial resources management. For the six months ended June 30, 2023, we financed our operations primarily through cash generated from business operations, bank borrowings and proceeds from fundraising activity. Our cash and cash equivalents decreased by 16.9% from RMB1,591.5 million as of December 31, 2022 to RMB1,323.3 million as of June 30, 2023, primarily attributable to (i) the payment to the trustee of the restricted share unit scheme to purchase Shares on market and (ii) the cash used in operating activities for expanding in-store e-commerce services business. As of June 30, 2023, the cash and cash equivalents of the Group were mainly denominated in RMB, USD and HKD. The Group maintains a strong cash position to meet potential needs for business expansion and development.

Our gearing ratio, being borrowings divided by total equity and multiplied by 100%, increased from 39.5% as of December 31, 2022 to 44.2% as of June 30, 2023, primarily attributable to the issuance of convertible bonds and increased balance of borrowings as of June 30, 2023.

Capital Expenditures

Our capital expenditures primarily consist of payments for purchasing property, plant and equipment, intangible assets and payment terminals. Our total capital expenditures decreased by 47.9% from RMB191.0 million for the six months ended June 30, 2022 to RMB99.4 million for the six months ended June 30, 2023.

Indebtedness

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

	As of June 30, 2023 <i>RMB'000</i> (unaudited)	As of December 31, 2022 <i>RMB'000</i> (audited)
Non-current		
Convertible Bonds	403,497	379,320
Lease liabilities	19,386	6,450
Current		
Bank and other borrowings	794,340	680,390
Lease liabilities	15,597	20,172
Total	<u>1,232,820</u>	<u>1,086,332</u>

Please refer to notes 18 and 20 to the unaudited interim consolidated financial statements for details of our convertible bonds and borrowings and their interest rates.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Pledge of Assets

As of June 30, 2023, we pledged account receivables of about RMB7.0 million to one bank.

Foreign Exchange Risk and Hedging

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

Material Acquisitions and Disposals and Future Plans for Major Investments

During the six months ended June 30, 2023, we did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the section headed "Use of Proceeds" in the Company's announcement dated July 5, 2022, we have no specific plan for major investment or acquisition of major capital assets or other businesses. However, we will continue to identify new opportunities for business development.

Significant Investment Held

As of June 30, 2023, we were interested in 4,500,000 (17.0%) of the ordinary shares in Fushi Technology (Shenzhen) Co., Ltd. (深圳市富匙科技有限公司) ("**Fushi**"), our associate company, and held 7,272,780 (27.4%) of preferred shares of Fushi, which was classified as financial assets at fair value through profit or loss. The carrying amount of our investment in Fushi's ordinary shares and the fair value of the preferred shares amounted to approximately RMB631,471,000 (as of December 31, 2022: RMB558,553,000), which accounted for approximately 8.2% of our total assets as of June 30, 2023. The investment costs for our investment in the preferred shares of Fushi was approximately RMB351,600,000. Net unrealized fair value gains of approximately RMB72,918,000 was recognized by us for the six months ended June 30, 2023 in respect of our investment in the preferred shares of Fushi. No dividend has been received from Fushi for the six months ended June 30, 2023.

Fushi is a company established in the PRC on April 12, 2016 with limited liability. It is a one-stop SaaS digital platform for merchants. The Board believes that Fushi will continue to be an important member within Yeahka's ecosystem of expanding its merchant base and providing merchant services.

Significant Events After the Reporting Period

Except as disclosed above, there are no material events subsequent to June 30, 2023 which could have a material impact on our operating and financial performance as of the date of this announcement.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: Nil).

Company Information

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

Employees

As of June 30, 2023, we had a total of 1,105 employees, substantially all of whom were based in China. For the six months ended June 30, 2023, our employee benefit expenses amounted to RMB220,239,000.

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.

ROUNDING

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

RSU SCHEME

A RSU scheme (the “**RSU Scheme**”) was adopted by the Company on August 1, 2019. The RSU Scheme will be valid and effective for a period of ten years, commencing from the date of the first grant of the RSUs, being August 1, 2019. Further details of the RSU Scheme are set out in the 2022 annual report of the Company.

Details of the RSUs granted under the RSU Scheme and the movements in RSUs during the six months ended June 30, 2023 are set below:

Name of RSU grantee	Date of grant	Granted during the Period ⁽¹⁾	Closing price (HKD) immediately before the date of grant during the Period	Fair value (HKD) of RSUs at the date of grant during the Period	Vesting period	Number of Shares				As at June 30, 2023	Closing price (HKD) immediately before the vesting date during the Period
						As at January 1, 2023	Vested during the Period	Cancelled during the Period	Lapsed during the Period		
Director of the Company											
Luo Xiaohui	January 21, 2022	-	-	-	January 24, 2023 – January 24, 2026	80,000	20,000	-	-	60,000	26.5
	March 28, 2023	100,000	22.35	24.84	March 28, 2024 – March 28, 2027	-	-	-	-	100,000	-
Yao Zhijian	January 21, 2022	-	-	-	January 24, 2023 – January 24, 2026	120,000	30,000	-	-	90,000	26.5
	March 28, 2023	200,000	22.35	24.84	March 28, 2024 – March 28, 2027	-	-	-	-	200,000	-
Other connected person of the Group											
Ren Yangbin	August 1, 2019	-	-	-	August 1, 2020 – August 1, 2023	20,000	-	-	-	20,000	-
Three directors of a subsidiary of the Company	January 21, 2022	-	-	-	January 24, 2023 – January 24, 2026	210,000	52,500	-	-	157,500	26.5
	March 28, 2023	560,000	22.35	24.84	March 28, 2024 – March 28, 2027	-	-	-	-	560,000	-
Other employee of the Group											
41 other employees of the Group	August 1, 2019	-	-	-	August 1, 2020 – August 1, 2023	749,000	-	35,000	-	714,000	-
6 other employees of the Group	January 7, 2021	-	-	-	July 1, 2021 – July 1, 2024	135,000	-	-	-	135,000	-
60 other employees of the Group	January 21, 2022	-	-	-	January 24, 2023 – January 24, 2026	719,760	173,540	23,000	-	523,220	26.5
162 other employees of the Group	March 28, 2023	7,291,565	22.35	24.84	March 28, 2024 – March 28, 2027	-	-	62,000	-	7,229,565	-
Total		8,151,565				2,033,760	276,040	120,000	0	9,789,285	

Note

(1) Further details of the grants were set out in the Company’s announcement dated March 28, 2023.

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. As of January 1, 2023 and June 30, 2023, the total number of Shares held by the trustee for the purpose of RSU Scheme were 70,370,616 and 72,028,919, respectively, representing 15.8% and 16.2% of the shares of the Company in issue as of the relevant dates, respectively,

On March 28, 2023, the Company granted a total of 8,151,565 RSUs to a total of 167 RSU grantees pursuant to the RSU Scheme. The RSUs granted represent 8,151,565 underlying Shares and approximately 1.8% of the issued share capital of the Company as at June 30, 2023. Further details were set out in the announcement of the Company dated March 29, 2023.

Save as disclosed above, during the six months ended June 30, 2023 and up to the date of this announcement, no further RSUs have been granted by the Company pursuant to the RSU Scheme.

SHARE OPTION SCHEME

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

The table below sets out the movements of the share options of our Company during the period from January 1, 2023 to June 30, 2023 granted under the Share Option Scheme:

Name of grantee	Outstanding as at January 1, 2023	Granted during the Period	Date of grant ⁽⁴⁾	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at June 30, 2023	Exercise price (HKD) per Share)	Closing price (HKD) of Shares immediately before the date	Fair value (HKD) of share options at the date of grant during the Period	Vesting period	Exercise period
Director of the Company												
Yao Zhijian	300,000	-	January 7, 2021	-	-	-	300,000	44.20 ⁽¹⁾	-	-	July 1, 2021 – July 1, 2024	January 7, 2021 – January 6, 2031
Luo Xiaohui	100,000	-	January 7, 2021	-	-	-	100,000	44.20 ⁽¹⁾	-	-	July 1, 2021 – July 1, 2024	January 7, 2021 – January 6, 2031
Employee of the Group												
119 employees of the Group	3,046,000	-	January 7, 2021	-	177,500	-	2,868,500	44.20 ⁽¹⁾	-	-	July 1, 2021 – July 1, 2024	January 7, 2021 – January 6, 2031
68 employees of the Group	1,147,000	-	May 12, 2021	-	6,000	-	1,141,000	58.60 ⁽²⁾	-	-	May 12, 2022 – May 12, 2025	May 12, 2021 – May 11, 2031
210 employees of the Group	967,000	-	January 21, 2022	-	58,125	-	908,875	25.56 ⁽³⁾	-	-	January 24, 2023 – January 24, 2026	January 21, 2022 – January 20, 2032
Total	5,560,000	0		0	241,625	0	5,318,375					

Note:

- (1) Being the highest of (i) HK\$44.20 per Share, the closing price of the Shares on the date of grant as stated in the daily quotation sheet issued by the Stock Exchange, (ii) HK\$39.45 per Share, the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options were granted, and (iii) US\$0.000025 per Share, the nominal value. The closing price of the Shares immediately before the date on which the options were granted was HKD43.6.
- (2) Being the highest of (i) HKD52.75 per Share, the closing price of the Shares on the date of grant as stated in the daily quotation sheet issued by the Stock Exchange, (ii) HKD58.60 per Share, the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options were granted, and (iii) US\$0.000025 per Share, the nominal value. The closing price of the Shares immediately before the date on which the options were granted was HKD53.6.

- (3) Being the highest of (i) HK\$24.7 per Share, the closing price of the Shares on the date of grant as stated in the daily quotation sheet issued by the Stock Exchange; (ii) HK\$25.56 per Share, 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 grant; and (iii) the nominal value of US\$0.000025 per Share. The closing price of the Shares immediately before the date on which the options were granted was HKD25.1.
- (4) Further details of the grants were set out in the Company's announcements dated January 7, 2021, May 12, 2021 and January 24, 2022.

As at January 1, 2023 and June 30, 2023, the total number of Shares available for issue in respect of the options that can be further granted under the Share Option Scheme were 37,060,507 and 37,302,132, respectively, representing 8.3% and 8.4% of the of the total number of Shares in issue as of the relevant dates, respectively.

During the six months ended June 30, 2023 and up to the date of this announcement, no further options have been granted by the Company pursuant to the Share Option Scheme.

Save as disclosed above, no RSUs and/or options were granted to the Directors, chief executive, substantial Shareholders, related entity participants or service providers of the Company, or their respective associates. None of the participants of the RSU Scheme and/or the Share Option Scheme was granted or to be granted in excess of the 1% individual limit.

The total number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period was 2.2%.

USE OF PROCEEDS FROM CONVERTIBLE BONDS

Reference is made to the Company's announcements dated July 4, 2022, July 5, 2022 and July 13, 2022. 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 USD68.1 million (equivalent to HKD533.3 million) through the issuance of the convertible bonds.

The following table sets forth the status of the use of net proceeds from the convertible bonds up to June 30, 2023:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the issuance of convertible bonds ⁽¹⁾ (In HKD millions)	Actual usage for the six months ended June 30, 2023 ⁽¹⁾ (In HKD millions)	Actual usage up to June 30, 2023 ⁽¹⁾ (In HKD millions)	Unutilized net proceeds as at June 30, 2023 ⁽¹⁾ (In HKD millions)	Expected timeline for utilizing the remaining net proceeds
Expansion of the Group's overseas business, including cross-border e-commerce foreign exchange/RMB collection and payment business, acquiring and mobile payment business, software as a service (SaaS) digital solution and in-store e-commerce services and for new business opportunities to accelerate the Group's development in upstream and downstream industries	80.0	426.6	43.9	91.7	334.9	By end of 2026
Strengthen the Group's competitiveness in the PRC such as product research and development, marketing and promotion and recruitment to further establish and reinforce the commercial digitalized ecosystem of the Group	20.0	106.7	12.0	22.0	84.7	By end of 2026
Total	100.0	533.3	55.9	113.7	419.6	

Note:

- The figures in the table are approximate figures.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		For the six months ended	
		30 June	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
Revenue	6	2,062,235	1,641,845
Cost of revenue	9	(1,696,234)	<u>(1,112,513)</u>
Gross profit		366,001	529,332
Selling expenses	9	(82,906)	(234,012)
Administrative expenses	9	(151,257)	(151,545)
Research and development expenses	9	(122,703)	(133,964)
Net impairment losses on financial assets	4.2(b)	(7,856)	(28,952)
Other income	7	29,632	21,635
Fair value changes of financial assets and financial liabilities at fair value through profit or loss-net	13, 21	60,756	68,443
Other gains/(losses)-net	8	2,389	<u>(2,781)</u>
Operating profit		94,056	68,156
Finance costs		(44,662)	(15,036)
Share of losses of investments accounted for using the equity method		(5,487)	<u>(8,067)</u>
Profit before income tax		43,907	45,053
Income tax expenses	10	(13,557)	<u>(23,802)</u>
Profit for the period		30,350	<u>21,251</u>

		Unaudited	
		For the six months ended	
		30 June	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		33,163	75,103
Non-controlling interests		(2,813)	(53,852)
		<u>30,350</u>	<u>21,251</u>
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Currency translation differences		31,436	79,956
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income of investments accounted for using the equity method		(611)	15,168
Currency translation differences		(25,757)	(35,944)
		<u>(26,368)</u>	<u>(20,776)</u>
Other comprehensive income for the period, net of tax		<u>5,068</u>	<u>59,180</u>
Total comprehensive income for the period		<u>35,418</u>	<u>80,431</u>
Attributable to:			
Equity holders of the Company		38,231	134,283
Non-controlling interests		(2,813)	(53,852)
		<u>35,418</u>	<u>80,431</u>
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic	<i>11</i>	<u>0.09</u>	<u>0.19</u>
– Diluted	<i>11</i>	<u>0.09</u>	<u>0.18</u>

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		50,161	48,333
Intangible assets	12	487,847	496,687
Investments accounted for using the equity method		129,279	131,711
Prepayments and other receivables	15(a)	35,248	25,587
Financial assets at fair value through profit or loss	13	712,695	634,172
Deferred tax assets		39,490	37,225
Other non-current assets		210,737	158,253
		<u>1,665,457</u>	<u>1,531,968</u>
Current assets			
Inventories		4,234	6,602
Loan receivables	16	817,811	588,218
Trade receivables	14	309,218	274,642
Prepayments and other receivables	15(b)	2,518,410	2,358,090
Financial assets at fair value through profit or loss	13	8,701	14,384
Restricted cash		1,005,126	891,916
Cash and cash equivalents		1,323,290	1,591,508
Other current assets		10,103	32,670
		<u>5,996,893</u>	<u>5,758,030</u>
Total assets		<u>7,662,350</u>	<u>7,289,998</u>
EQUITY			
Share capital and share premium		3,067,589	3,069,939
Reserves		(1,213,191)	(1,216,410)
Retained earnings		948,717	916,806
Equity attributable to equity holders of the Company		<u>2,803,115</u>	<u>2,770,335</u>
Non-controlling interests		<u>(91,881)</u>	<u>(89,068)</u>
Total equity		<u>2,711,234</u>	<u>2,681,267</u>

	<i>Note</i>	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		19,386	6,450
Financial liabilities at fair value through profit or loss	<i>21</i>	–	25,867
Deferred tax liabilities		63,896	56,854
Convertible bonds	<i>18</i>	403,497	379,320
		<u>486,779</u>	<u>468,491</u>
Current liabilities			
Trade and other payables	<i>19</i>	3,501,629	3,309,050
Contract liabilities		11,754	31,864
Current tax liabilities		101,019	94,458
Lease liabilities		15,597	20,172
Bank and other borrowings	<i>20</i>	794,340	680,390
Financial liabilities at fair value through profit or loss	<i>21</i>	39,998	4,306
		<u>4,464,337</u>	<u>4,140,240</u>
Total liabilities		<u>4,951,116</u>	<u>4,608,731</u>
Total equity and liabilities		<u>7,662,350</u>	<u>7,289,998</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Yeahka Limited (the “**Company**”) was incorporated in the Cayman Islands on 8 September 2011, as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 June 2020.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”), are principally engaged in the provision of one-stop payment services, merchant solution services and in-store e-commerce services to retail merchants and consumers in the People’s Republic of China (the “**PRC**”).

This condensed consolidated interim financial report for the six months ended 30 June 2023 (“**Interim Financial Information**”) is presented in RMB, unless otherwise stated. This interim financial information was approved for issue on 24 August 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as set out in the 2022 annual report of the Company dated 27 March 2023 (the “**2022 Financial Statements**”).

2.2 Amended standards adopted by the Group

The Group has adopted the following amendments to existing standards which have been adopted by the Group for the first time for the financial year beginning on 1 January 2023:

- IFRS 17 – Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

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

2.3 New standards and amendments to existing standards not yet adopted

Standards and amendments to existing standards that have been issued but not yet effective on 1 January 2023 and not been early adopted by the Group as of 30 June 2023 are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Non current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Leases liability in sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

3 ESTIMATES

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Financial Statements.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2022 Financial Statements. There have been no significant changes in the risk management policies since 31 December 2022.

4.2 Credit risk

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

(a) **Risk management**

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

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

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

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

As at 30 June 2023, the maximum exposure arising from the provision of financial guarantee to certain loan facilitation parties amounted to approximately RMB289 million (31 December 2022: RMB178 million), being the principals and interests of the underlying loans, which were granted by the Group's loan facilitation partners with terms ranging from 3 to 12 months.

(b) **Maximum exposure to credit risk**

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

	Unaudited As at 30 June 2023			Audited As at 31 December 2022		
	Gross carrying amount RMB'000	Loss allowance RMB'000	Carrying amount RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000	Carrying amount RMB'000
Financial assets at amortised cost (IFRS 9)						
Cash and cash equivalents	1,323,290	-	1,323,290	1,591,508	-	1,591,508
Restricted cash	1,005,126	-	1,005,126	891,916	-	891,916
Trade receivables (i)	329,963	(20,745)	309,218	304,173	(29,531)	274,642
Loan receivables (ii)						
- Stage 1	828,975	(13,161)	815,814	598,083	(11,069)	587,014
- Stage 2	4,824	(3,395)	1,429	1,530	(735)	795
- Stage 3	5,974	(5,406)	568	3,441	(3,032)	409
Other receivables (iii)						
- Stage 1	2,499,845	(4,459)	2,495,386	2,344,558	(4,892)	2,339,666
- Stage 3	35,918	(35,918)	-	33,457	(33,457)	-

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

Unaudited		Less than			more than	
30 June 2023	Current	90 days	90-180 days	180-270 days	270 days	Total
		past due	past due	past due	past due	
Expected loss rate	0.62%	8.83%	17.69%	28.72%	100.00%	6.29%
Gross carrying amount	306,747	1,698	1,504	2,232	17,782	329,963
Loss allowance	1,906	150	266	641	17,782	20,745
Audited		Less than			more than	
31 December 2022	Current	90 days	90-180 days	180-270 days	270 days	Total
		past due	past due	past due	past due	
Expected loss rate	0.56%	7.29%	14.59%	28.15%	100.00%	9.71%
Gross carrying amount	209,237	7,733	29,725	47,356	10,122	304,173
Loss allowance	1,178	564	4,336	13,331	10,122	29,531

The loss allowances for trade receivables as at 30 June 2023 and 31 December 2022 reconcile to the opening loss allowances as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
At the beginning of the period/year	29,531	20,442
(Reversal)/provision for expected credit loss	(8,786)	9,089
	<hr/>	<hr/>
At the end of the period/year	20,745	29,531
	<hr/> <hr/>	<hr/> <hr/>

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
At the beginning of the period/year	14,836	24,505
Provision for expected credit loss	14,619	35,904
Write-off	(7,493)	(45,573)
	<hr/>	<hr/>
At the end of the period/year	21,962	14,836
	<hr/> <hr/>	<hr/> <hr/>

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

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
At the beginning of the period/year	38,349	34,641
Provision for expected credit loss	2,023	3,708
Currency translation difference	5	–
	<u>40,377</u>	<u>38,349</u>

4.3 FAIR VALUE ESTIMATION

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 and 31 December 2022 by level of inputs adopted in the valuation techniques used for measuring fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss ("FVPL")	<u>8,701</u>	<u>–</u>	<u>712,695</u>	<u>721,396</u>
Liabilities				
Contingent consideration and others	<u>–</u>	<u>–</u>	<u>39,998</u>	<u>39,998</u>

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	<u>14,384</u>	<u>–</u>	<u>634,172</u>	<u>648,556</u>
Liabilities				
Contingent consideration and others	<u>–</u>	<u>–</u>	<u>30,173</u>	<u>30,173</u>

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

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

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

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- 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 six months ended 30 June 2023 and 2022, there was no transfer between level 1 and 2 for recurring fair value measurements.

Valuation processes of the Group (Level 3)

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

At each half financial year end the finance department:

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

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

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

5 SEGMENT INFORMATION

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

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

6 REVENUE

	Unaudited	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
One-stop payment services	1,835,337	1,271,485
Merchant solutions services	166,922	208,808
In-store e-commerce services	59,976	161,552
	<u>2,062,235</u>	<u>1,641,845</u>

For the six months ended 30 June 2023, interest income from entrusted loans and small-sized retail loans amounting to RMB57,358,000 (six months ended 30 June 2022: RMB44,330,000) was included in revenue derived from merchant solutions services. Except for interest income which is recognised over time, revenues of the Group are recognised at a point in time according to the related provisions prescribed under IFRS 15.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2023 and 2022.

7 OTHER INCOME

	Unaudited	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants	8,310	11,938
Interest income	21,322	9,697
	<u>29,632</u>	<u>21,635</u>

8 OTHER GAINS/(LOSSES), NET

	Unaudited	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Gain on disposal of FVPL	1,568	–
Gains on disposal of property, plant and equipment	610	778
Gains on deemed disposal of an associate	–	560
Net exchange losses	(851)	(5,146)
Others	1,062	1,027
	<u>2,389</u>	<u>(2,781)</u>

9 EXPENSES BY NATURE

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

	Unaudited	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Commissions and marketing costs	1,625,299	1,070,718
Employee benefit expenses	220,239	245,720
Amortization of other non-current assets	43,708	14,676
Outsourcing service fees	53,914	149,589
Depreciation of property, plant and equipment	20,798	22,288
System development, consulting and data validation	11,389	9,228
Office expenses	10,908	18,301
Amortization of intangible assets	9,230	13,705
Advertising and promotion expenses	8,866	37,091
Raw materials and consumables	8,321	7,250
Travel and transportation	6,445	4,672
Rental expenses relating to short-term leases	5,849	18,037
Professional service fees	8,854	9,063
Others	19,280	11,696
	<u>2,053,100</u>	<u>1,632,034</u>

10 INCOME TAX EXPENSES

	Unaudited	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax	8,856	9,976
Deferred income tax	4,701	13,826
	<u>13,557</u>	<u>23,802</u>

11 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Unaudited	
	For the six months ended 30 June	
	2023	2022
Profit attributable to equity holders of the Company (in RMB thousands)	33,163	75,103
Weighted average number of ordinary shares in issue (in thousands) (i)	375,720	403,913
Basic earnings per share (expressed in RMB per share)	0.09	0.19

- (i) Weighted average number of ordinary shares in issue for the six months ended 30 June 2023 and 2022 has been determined based on the number of shares in issue, excluding the shares held for the purpose of share award schemes and certain restricted shares of the Company as depicted below.

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

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

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

(b) Diluted earnings per share

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

The Group has three categories of potential ordinary shares in the six months ended 30 June 2023 which were the convertible bonds, the share options and the restricted share units (“RSU”).

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

For the convertible bonds, they are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the conversion of convertible bonds. For the six months ended 30 June 2023, the effect of the convertible bonds was anti-dilutive and therefore not included in the calculation of the diluted earnings per share.

	Unaudited	
	For the six months ended 30 June	
	2023	2022
Profit attributable to equity holders of the Company (in RMB thousands)	33,163	75,103
Weighted average number of ordinary shares in issue (in thousands)	375,720	403,913
Adjustments for the Returnable Shares issued for the acquisition of Tuozhanbao (in thousands)	–	12,907
Adjustments for unvested restricted share units and share options (in thousands)	563	553
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in thousands)	376,283	417,373
Diluted earnings per share (expressed in RMB per share)	0.09	0.18

12 INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationship RMB'000	Software RMB'000	Platform RMB'000	Brand name RMB'000	Total RMB'000
As at 31 December 2022						
Cost	444,641	77,800	6,200	1,300	38,200	568,141
Accumulated amortization and impairment	(5,524)	(50,599)	(3,078)	(1,300)	(10,953)	(71,454)
Net book amount	439,117	27,201	3,122	–	27,247	496,687
Unaudited						
For the six months ended 30 June 2023						
Opening net book amount	439,117	27,201	3,122	–	27,247	496,687
Additions	–	–	390	–	–	390
Amortization charge	–	(4,800)	(317)	–	(4,113)	(9,230)
Closing net book amount	439,117	22,401	3,195	–	23,134	487,847
As at 30 June 2023						
Cost	444,641	77,800	6,590	1,300	38,200	568,531
Accumulated amortization and impairment	(5,524)	(55,399)	(3,395)	(1,300)	(15,066)	(80,684)
Net book amount	439,117	22,401	3,195	–	23,134	487,847
As at 31 December 2021						
Cost	444,641	77,800	5,860	1,300	38,200	567,801
Accumulated amortization and impairment	(5,524)	(36,860)	(2,457)	(758)	(2,728)	(48,327)
Net book amount	439,117	40,940	3,403	542	35,472	519,474
Unaudited						
For the six months ended 30 June 2022						
Opening net book amount	439,117	40,940	3,403	542	35,472	519,474
Amortization charge	–	(8,939)	(329)	(325)	(4,112)	(13,705)
Closing net book amount	439,117	32,001	3,074	217	31,360	505,769
As at 30 June 2022						
Cost	444,641	77,800	5,860	1,300	38,200	567,801
Accumulated amortization and impairment	(5,524)	(45,799)	(2,786)	(1,083)	(6,840)	(62,032)
Net book amount	439,117	32,001	3,074	217	31,360	505,769

(a) The details of goodwill are as follows:

	Unaudited As at 30 June 2023 <i>RMB'000</i>	Audited As at 31 December 2022 <i>RMB'000</i>
Tuozhanbao	145,840	145,840
Dingding Cultural Tourism (Chengdu) Co., Ltd. ("Dingding Cultural")	137,233	137,233
Beijing Chuangxinzhong Technology Co., Ltd. ("Chuangxinzhong")	120,873	120,873
Shenzhen Leshua Shangquan Technology Co., Ltd.	35,171	35,171
Shenzhen Leshou Cloud Technology Co., Ltd. ("Leshou")	5,524	5,524
Impairment of goodwill of Leshou	(5,524)	(5,524)
	<u>439,117</u>	<u>439,117</u>

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

	Unaudited For the six months ended 30 June 2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of revenue	3,850	7,988
Administrative expenses	5,380	5,717
	<u>9,230</u>	<u>13,705</u>

13 FINANCIAL ASSETS AT FVPL

	Unaudited As at 30 June 2023 <i>RMB'000</i>	Audited As at 31 December 2022 <i>RMB'000</i>
Current assets		
Investment in listed entities (a)	<u>8,701</u>	<u>14,384</u>
Non-current assets		
Investment in unlisted entities (b)	699,871	620,764
Contingent consideration (c)	12,824	13,408
	<u>712,695</u>	<u>634,172</u>
	<u>721,396</u>	<u>648,556</u>

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

	Unaudited	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At the beginning of the period	648,556	387,197
Acquisition of a subsidiary	–	284,164
Additions	5,000	–
Disposal (<i>d</i>)	(2,157)	(125,315)
Changes in fair value through profit or loss	69,141	69,158
Currency translation differences	856	6,699
	<hr/>	<hr/>
At the end of the period	721,396	621,903
	<hr/> <hr/>	<hr/> <hr/>

- (a) The balance represented the Group's investments in equity interests of several listed securities on the Hong Kong Main Board of The Stock Exchange of Hong Kong Limited.
- (b) The balance primarily comprised the Group's investments in preferred shares related to Fushi Technology (Shenzhen) Co., Ltd ("Fushi") amounting to approximately RMB631,471,000 (as at 31 December 2022: 558,553,000).
- (c) It represented the fair value of the contingent consideration in relation to acquisition of Dingding Cultural as at 30 June 2023 which was determined by applying probability weighted scenario analysis as consistent with the methodology used in the valuation performed for the fair value as at 31 December 2022.
- (d) During the six month ended 30 June 2022, the disposal mainly represented the derecognition of the derivative financial instrument asset relating to certain equity interests in IVP Growth I Ltd. ("IVP Growth"), which was previously recorded in financial assets at FVPL, upon the acquisition of IVP Growth.

14 TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Trade receivables	329,963	304,173
Less: Allowance for expected credit loss (<i>Note 4.2</i>)	(20,745)	(29,531)
	<hr/>	<hr/>
	309,218	274,642
	<hr/> <hr/>	<hr/> <hr/>

- (a) The carrying amounts of the trade receivables balances were approximate to their fair value as at 30 June 2023. All the trade receivables balances were denominated in RMB.
- (b) As at 30 June 2023, RMB7,000,000 of trade receivables were pledged for certain bank borrowings of the Group (Note 20).
- (c) The Group generally allows a credit period within 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	Unaudited As at 30 June 2023 <i>RMB'000</i>	Audited As at 31 December 2022 <i>RMB'000</i>
Up to 3 months	306,747	209,237
3 to 6 months	1,698	7,733
6 to 12 months	3,736	77,081
Over 1 year	17,782	10,122
	<u>329,963</u>	<u>304,173</u>

15 PREPAYMENTS AND OTHER RECEIVABLES

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

	Unaudited As at 30 June 2023 <i>RMB'000</i>	Audited As at 31 December 2022 <i>RMB'000</i>
Prepayments for:		
Land use rights	34,088	17,044
Payment terminals	–	7,051
Sub-total	<u>34,088</u>	<u>24,095</u>
Other receivables		
Deposits	1,873	2,500
Less: allowance for impairment of other receivables (Note 4.2)	(713)	(1,008)
Sub-total	<u>1,160</u>	<u>1,492</u>
	<u><u>35,248</u></u>	<u><u>25,587</u></u>

(b) Prepayments and other receivables in current assets

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Prepayments		
Prepayments for SaaS terminals	2,685	3,997
Prepayments to media publishers and advertising agents	12,574	7,110
Others	11,973	13,262
	<hr/>	<hr/>
Less: allowance for impairment of prepayments	(3,048)	(4,453)
	<hr/>	<hr/>
Sub-total	24,184	19,916
	<hr/>	<hr/>
Other receivables		
Receivables from payment networks (i)	2,055,275	1,886,538
Amounts due from related parties	295,470	270,381
Amounts due from business partners (ii)	76,227	109,933
Deposits placed with financial institutions	7,654	39,943
Deposits on lease and others	41,390	31,332
Payment network deposits	1,340	1,390
Others	56,534	35,998
Less: allowance for impairment of other receivables (Note 4.2)	(39,664)	(37,341)
	<hr/>	<hr/>
Sub-total	2,494,226	2,338,174
	<hr/>	<hr/>
	2,518,410	2,358,090
	<hr/> <hr/>	<hr/> <hr/>

- (i) The balance mainly represents funds processed by the Group during the process of providing its one-stop payment services and in-store e-commerce services to merchants, which had been received by the payment networks, and would be then transferred to the respective merchants through the Group in accordance with the terms of agreements entered between the Group and the merchants.
- (ii) The balance mainly represents advance made by the Group and utility fees to be received for the purpose of developing merchants to its business partners, which would be deducted from their commission fee or returned within contractual period.

16 LOAN RECEIVABLES

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Loan receivables (i)	839,773	603,054
Less: allowance for impairment of loan receivables (Note 4.2)	(21,962)	(14,836)
	<hr/>	<hr/>
	817,811	588,218
	<hr/> <hr/>	<hr/> <hr/>

- (i) The loan receivables mainly comprise entrusted loans and small-sized loans to various borrowers. The loans bore interest rate from 6% to 36% per annum and with lending periods of less than one year.

17 DIVIDENDS

No dividends have been paid or declared by the Company for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

18 CONVERTIBLE BONDS

The Group issued USD70,000,000 convertible bonds at a coupon interest rate of 6.25% per annum on 13 July 2022. The bonds mature in five years from the issue date. The bonds could be converted into the Company's ordinary shares, at the holder's option at any time on or after 23 August 2022 up to the close of business on the 10th day prior to the maturity date (both days inclusive), at HKD23.32 (fixed in USD at USD2.97) per share.

The net proceeds from the issue of the convertible bonds were approximately RMB457,059,000, after the deduction of transaction costs approximately RMB13,915,000. The initial value of the liability component of approximated to RMB359,198,000 (the fair value was calculated using a market interest rate for equivalent non-convertible bonds) and is subsequently stated at amortized cost until conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

The convertible bonds recognized are calculated as follows:

	<i>RMB'000</i>
Face value of the convertible bonds on the issue date	470,974
Less: transaction costs	<u>(13,915)</u>
Net proceeds	457,059
Less: equity component	<u>(97,861)</u>
Liability component on initial recognition	<u>359,198</u>
Currency translation differences	13,271
Interest accrued at amortization cost	21,210
Interest accrued at par value	<u>(14,359)</u>
Liability component at 31 December 2022	<u>379,320</u>
Liability component at 1 January 2023	<u>379,320</u>
Currency translation differences	15,132
Interest accrued at amortization cost	24,592
Interest accrued at par value	<u>(15,547)</u>
Liability component at 30 June 2022	<u><u>403,497</u></u>

Interest expenses on the liability component of the convertible bonds were calculated using the effective interest method, applying the effective interest rate of 12.83% per annum.

Up to 30 June 2023, there has been no conversion or redemption of the convertible bonds.

19 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Trade payables (a)	280,882	252,021
Other payables		
Payables to merchants (c)	2,863,694	2,682,054
Employee benefit payables	63,713	81,041
Deposits from distribution channels (b)	85,146	73,307
Other taxes payables	69,321	63,737
Interest payable on convertible bonds	14,637	14,359
Individual income tax payable	1,886	2,592
Amounts due to related parties	8,042	76
Others	114,308	139,863
	<u>3,220,747</u>	<u>3,057,029</u>
	<u>3,501,629</u>	<u>3,309,050</u>

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

As at 30 June 2023 and 31 December 2022, the aging analysis of trade payables based on the invoice date was as follows:

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Up to 3 months	149,437	159,174
3 to 6 months	26,392	9,768
Over 6 months	105,053	83,079
	<u>280,882</u>	<u>252,021</u>

- (b) The amount represents refundable deposits placed by distribution channels with the Group when they signed up the distribution channel agreements with the Group. It would be refunded to the respective distribution channel upon expiration of the agreements.
- (c) The balance represents funds processed by the Group for merchants, which are required to be settled with merchants upon the respective contractual settlement clearance dates.
- (d) As at 30 June 2023 and 31 December 2022, trade and other payables were mainly denominated in RMB and the fair values of these balances were approximated to their carrying amounts.

20 BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Current		
Bank borrowings		
– unsecured with guarantee	737,340	615,390
– secured with guarantee	7,000	15,000
Borrowing from other non-banking financial institution		
– unsecured with guarantee	50,000	50,000
	<u>794,340</u>	<u>680,390</u>

As at 30 June 2023, bank borrowings of RMB759,340,000 (31 December 2022: RMB640,390,000) were guaranteed by the Company and certain subsidiaries of the Group, and RMB28,000,000 (31 December 2022: RMB25,000,000) were guaranteed by certain independence third parties and Mr. Qin Lingjin (“Mr. Qin”), a minority shareholder and key management person of a subsidiary.

As at 30 June 2023, bank borrowings of RMB7,000,000 (31 December 2022: RMB15,000,000) were secured by the pledge of certain trade receivables and guaranteed by Tianjin Chuangxinzhong Technology Co., Ltd., and Mr. Qin.

For the six months ended 30 June 2023, these bank and other borrowings bore effective interest rate of 4.54% (31 December 2022: 4.75%) per annum.

21 FINANCIAL LIABILITIES AT FVPL

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Current liabilities		
Contingent consideration (a)	<u>39,998</u>	<u>4,306</u>
Non-current liabilities		
Contingent consideration and others (a)	<u>–</u>	<u>25,867</u>
	<u>39,998</u>	<u>30,173</u>

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

	Unaudited	
	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At the beginning of the period	30,173	81,036
Settlement of the contingent consideration relating to the acquisition of Chuangxinzhong	–	(28,390)
Changes in fair value through profit or loss	8,385	715
Currency translation differences	1,440	4,188
	<hr/>	<hr/>
At the end of the period	39,998	57,549
	<hr/> <hr/>	<hr/> <hr/>

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

22 EVENTS AFTER BALANCE SHEET DATE

Saves as disclosed elsewhere in this condensed interim information, the Group had no other significant subsequent event.

OTHER INFORMATION

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

During the Reporting Period, the trustee of the RSU Scheme has utilized an aggregate of approximately HKD33.8 million (including commission and transaction cost) to purchase 1,893,600 Shares on market at a consideration ranging from HKD16.8 to HKD21.5 per Share. The Shares purchased during such period represent 0.425% of the issued Shares as at June 30, 2023 and will be used as awards for the participant(s) in the RSU Scheme.

During the Reporting Period, the Company has also utilized an aggregate of approximately HKD0.4 million (including commission and transaction cost) to repurchase 21,200 Shares on market at a consideration ranging from HKD20.5 to HKD21.25 per Share. The Shares repurchased during such period represent 0.005% of the issued Shares as at June 30, 2023. All of the Shares repurchased during the Reporting Period were subsequently cancelled by the Company. Details of the Shares repurchased are as follows:

Month of repurchase in the Reporting Period	No. of Shares repurchased	Purchase consideration per Share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	21,200	21.25	20.50	442,520
Total:	21,200			442,520

Save as disclosed above, neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's listed securities for the six months ended June 30, 2023.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board is of the view that for the six months ended June 30, 2023 and up to the date of this announcement, the Company has complied with most of the code provisions as set out in the CG Code, except for the deviation from code provisions C.2.1 of Part 2 as explained below.

Code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. The roles of chairman of the Board and chief executive officer of the Company are held by Mr. Liu Yingqi. In view of Mr. Liu's experience, personal profile and his roles in the Company, and the fact that Mr. Liu has assumed the role of chief executive officer of the Company since 2011, the Board considers it beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group that Mr. Liu acts as the chairman of the Board and continues to act as the chief executive officer of the Company.

While this will constitute a deviation from code provision C.2.1 of Part 2 of the CG Code, the Board believes this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of our Directors; (ii) Mr. Liu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code since our last reporting and up to June 30, 2023.

The Board has also adopted written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of Part 2 of the CG Code. No incident of non-compliance with the Employees Written Guidelines by the Company's relevant employees had been noted since our last reporting and up to June 30, 2023 and the date of this announcement after making reasonable enquiry.

Audit Committee and Review of Financial Information

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

The Audit Committee has reviewed the Group’s unaudited interim financial information for the six months ended June 30, 2023. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yeahka.com). The interim report of the Company for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the same websites in due course.

PROFITS GUARANTEES IN RELATION TO CHUANGXINZHONG

References are made to the Company’s announcements dated November 9, 2020 and November 30, 2020 (the “**First Acquisition**”), and announcements dated December 24, 2020, December 28, 2020 and April 26, 2021 (the “**Second Acquisition**”) in relation to the acquisition of 85% of interest in Beijing Chuangxinzhong Technology Co., Ltd. (“**Chuangxinzhong**”) in aggregate directly or indirectly for a total consideration of RMB340,000,000 involving cash and the issuance of Shares by the Company as part of the consideration (together, the “**Announcements**”). Unless otherwise defined, capitalized terms used in this section shall have the same meanings as those set out in the Announcements.

Pursuant to the Equity Transfer Agreement of the First Acquisition and Share Purchase Agreement of the Second Acquisition, the parties agreed that the Net Profits for the Performance Undertaking Periods will not be less than the following Guaranteed Profits:

Performance Undertaking Periods	Guaranteed Profits
First Performance Undertaking Period	RMB45 million
Second Performance Undertaking Period	RMB53 million
Third Performance Undertaking Period	RMB62 million

In case that the Net Profit for any Performance Undertaking Period fails to meet the respective Guaranteed Profit, (i) the instalments shall be adjusted calculated in the formula stipulated in the Equity Transfer Agreement of the First Acquisition; and (ii) the Company shall be entitled to require the Vendors to make cash compensation (the “**Compensation**”) to the Company (or its controlled subsidiary) calculated in the formula stipulated in the Share Purchase Agreement of the Second Acquisition.

In August 2023, the Group has received the audited financial statements of Chuangxinzhong for the Second Performance Undertaking Period (i.e., December 1, 2021 to November 30, 2022), pursuant to which the actual net profit of Chuangxinzhong for the Second Performance Undertaking Period was approximately RMB51,169,000. Accordingly, the Guaranteed Profit for the Second Performance Undertaking Period had not been fulfilled and the third instalment of the First Acquisition shall be adjusted to RMB27,409,245, whereas the Compensation under the Second Acquisition shall be RMB1,784,865.

As agreed between the parties, the Compensation shall be deducted from the third instalment of the First Acquisition payable by the Company. Therefore, the third instalment of the First Acquisition shall be adjusted to RMB25,624,380 from RMB28,390,000, a downward adjustment of RMB2,765,620 (the “**Downward Adjustment**”).

As Chuangxinzhong did not incur any audited net losses in the Second Performance Undertaking Period, the Group is not entitled to exercise any option to sell any part of the equity interest in Chuangxinzhong back to any of the Founders.

The Company confirmed that there is no change to the terms of the profit guarantees.

The Board is of the view that the Vendors have fulfilled their obligations under the profit guarantees after the Downward Adjustment.

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

Hong Kong, August 24, 2023

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