

Yeahka 移卡

Yeahka Limited

移卡有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code: 9923.HK

股份代號：9923.HK



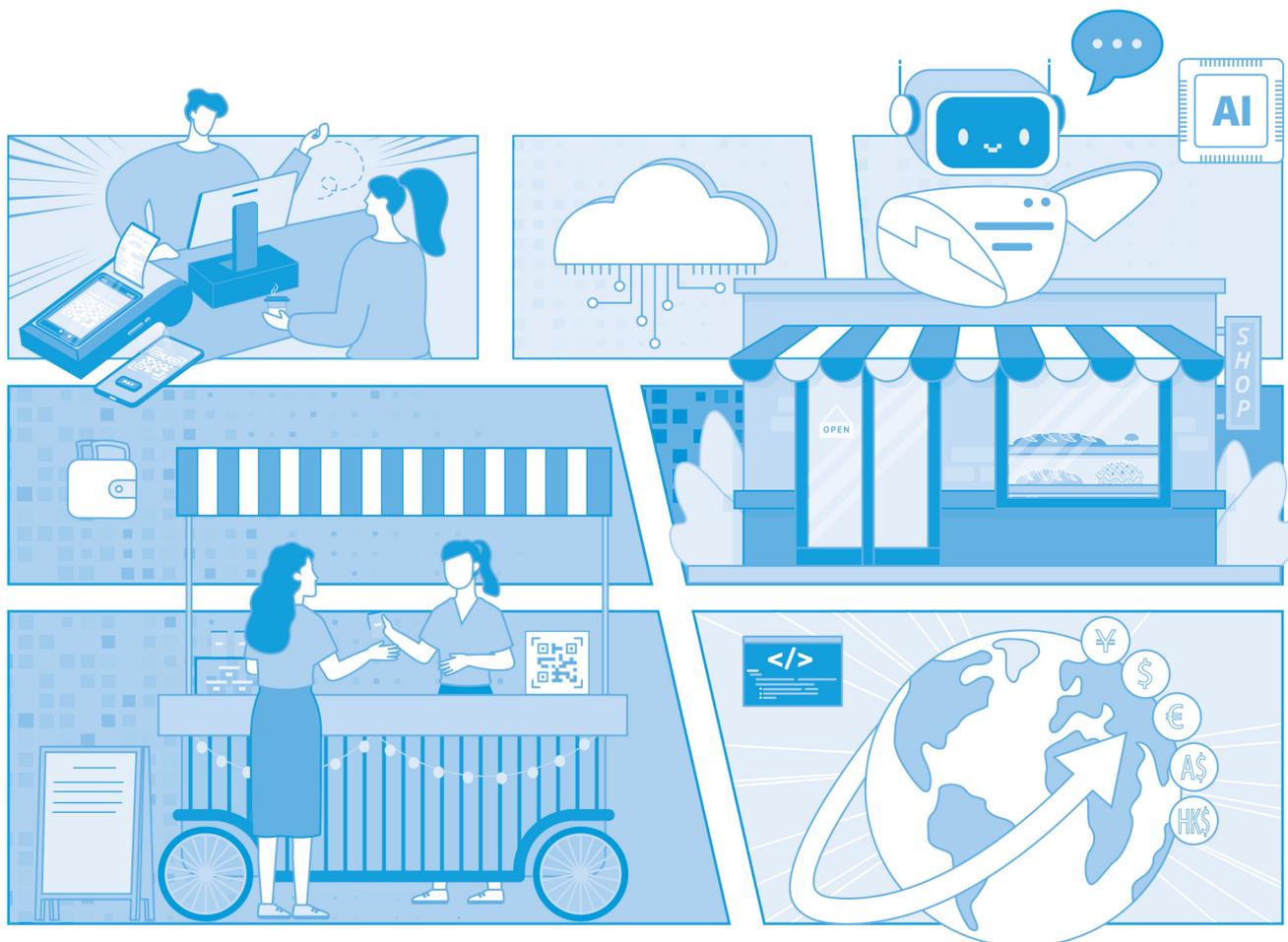
2023

ANNUAL REPORT

年度報告

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CORPORATE INFORMATION

As of the date of this report

Registered Office

Vistra (Cayman) Limited

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

Headquarters

19/F A4 Building, Kexing Science Park
15 Keyuan Road, Nanshan District
Shenzhen
China

Principal Place of Business in Hong Kong

40/F., Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai,
Hong Kong

Company's Website

<https://www.yeahka.com/>

Board of Directors

Executive Directors

Mr. Liu Yingqi (*Chairman*)
Mr. Yao Zhijian
Mr. Luo Xiaohui

Non-executive Director

Mr. Akio Tanaka

Independent non-executive Directors

Mr. Tam Bing Chung Benson
Mr. Yao Wei
Mr. Yang Tao

Company Secretary

Ms. Mak Po Man Cherie
*(an associate member of both The Hong Kong Chartered
Governance Institute and The Chartered Governance Institute
in the United Kingdom)*

Authorized Representatives

Mr. Yao Zhijian
Ms. Mak Po Man Cherie

Audit Committee

Mr. Yao Wei (*Chairman*)
Mr. Tam Bing Chung Benson
Mr. Yang Tao

Remuneration Committee

Mr. Yao Wei (*Chairman*)
Mr. Liu Yingqi
Mr. Tam Bing Chung Benson

Nomination Committee

Mr. Liu Yingqi (*Chairman*)
Mr. Yao Wei
Mr. Tam Bing Chung Benson

Environmental, Social and Governance Committee

Mr. Liu Yingqi (*Chairman*)
Mr. Yao Zhijian
Mr. Yao Wei

Hong Kong Legal Adviser

Han Kun Law Offices LLP

Rooms 3901-05, 39/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

Independent Auditor

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

The Cayman Islands Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited

Boundary Hall, Cricket Square
PO Box 1093
Grand Cayman, KY1-1102
Cayman Islands



CORPORATE INFORMATION

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Banks

Industrial and Commercial Bank of China, Shenzhen Meilin Yicun Sub-branch

No. 112, Zone 5, Meilin Yicun
Futian District
Shenzhen, PRC

China Everbright Bank, Shenzhen Nanshan Branch

1/F, China Energy Storage Building
No. 3099 Keyuan South Road, Nanshan District
Shenzhen, PRC

FIVE-YEAR FINANCIAL SUMMARY

Condensed Consolidated Statement of Comprehensive Income

	For the Year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000				
Revenue	3,950,585	3,418,035	3,058,632	2,292,903	2,258,019
Gross profit	738,164	1,030,944	814,620	743,679	647,035
Operating profit	125,014	166,826	482,436	352,426	352,696
Profit before income tax	35,434	122,458	446,435	454,462	151,039
Profit for the year attributable to:					
Equity holders of the Company	11,627	153,922	420,934	438,907	84,663
Non-IFRS Measure:					
Adjusted EBITDA ⁽¹⁾	556,047	213,405	123,378	463,407	449,533

Note:

- (1) For details of our Non-IFRS measures, see “Management Discussion and Analysis – Non-IFRS Measures” in this annual report.

Condensed Consolidated Statement of Financial Position

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB'000				
Assets					
Non-current assets	1,873,877	1,531,968	1,127,991	609,405	413,876
Current assets	6,546,484	5,758,030	5,627,785	5,013,985	1,860,160
Total assets	8,420,361	7,289,998	6,755,776	5,623,390	2,274,036
Equity and liabilities					
Equity/(deficit) attributable to equity holders of the Company	2,707,876	2,770,335	3,259,250	3,119,787	(555,496)
Total equity/(deficit)	2,617,401	2,681,267	3,200,671	3,166,855	(555,496)
Non-current liabilities	512,699	468,491	143,002	132,046	1,453,897
Current liabilities	5,290,261	4,140,240	3,412,103	2,324,489	1,375,635
Total liabilities	5,802,960	4,608,731	3,555,105	2,456,535	2,829,532
Total equity and liabilities	8,420,361	7,289,998	6,755,776	5,623,390	2,274,036

CHAIRMAN'S STATEMENT

Dear Shareholders,

We would like to extend our deep appreciation to all our Shareholders for your steadfast support and trust. I am pleased to present the annual report of the Group for the year ended December 31, 2023, on behalf of the Board.

The year 2023 was a year full of challenges and opportunities for Yeahka. Against the backdrop of a gradual global economic recovery, we continued to make significant strides across our three core business lines of one-stop payment services, in-store e-commerce services, and merchant solutions, fueled by the strong positioning of our independent and scalable commercial digitalized ecosystem and continuous technological innovation. Our mainland China business grew steadily while our overseas initiatives began to yield tangible results, demonstrating our globalization capabilities. We expect to further improve our operational and financial performance, grow our ecosystem, and create long-term sustainable value as our technology iterations accelerate and innovation goes global.

Financial Highlights

In 2023, our total revenue reached RMB3,950.6 million, representing a year-on-year increase of 15.6%. Among which, revenue from our one-stop payment services increased by 26.5% year-on-year to RMB3,485.0 million.

Our gross profit amounted to RMB738.2 million, despite the impact of the Non-Recurring Adjustment on Revenue, and we achieved gross margin optimization by improving our operational efficiency and commercialization capabilities.

Our adjusted EBITDA grew 160.6% year-on-year to RMB556.0 million, reflecting significant improvements and enhancements in our operating efficiency and core performance.

Business Highlights

Payment Business Solidified Industry-Leading Position, and Technological Innovation Leads the Future

We continued to deepen our presence in the one-stop payment services. Through our continuous technological innovation and service optimization, we reached record highs in the number of active payment services merchants and the daily count of app-based payment transactions, reinforcing our leading position in the payments industry. In 2023, our gross payment volume (GPV) grew by 29.2% year-on-year, of which 71.2% was app-based payment services, and our user base continued to expand with fee rates¹ steadily increasing, reflecting our industry-leading position and bargaining power. Meanwhile, we further expanded our nationwide channel network and partnered with over 150 commercial banks on our joint merchant acquiring services. For in-store e-commerce services,

1 After eliminating the impact of the “Non-Recurring Adjustment on Revenue” (defined below) to reflect a complete picture of our operations.

by optimizing operational strategies and improving service quality, we saw an impressive 30.3% year-on-year increase in GMV to over RMB4.3 billion and a significant year-on-year reduction in net loss, reflecting our remarkable success in improving profitability and operational efficiency. Moreover, we constantly invested in all-traffic marketing, expanded our partnership with diverse traffic platforms, and built a comprehensive digital midstream operational platform for merchants. Our merchant solutions also achieved a robust performance in 2023, with commercialization continuing to accelerate. Our active merchant solutions merchants exceeded 1.6 million, representing a year-on-year increase of 30.8%, with significant revenue growth driven by our improved product monetization and offline merchants' growing willingness to pay.

Overseas Markets Expansion and Progress

In overseas markets, we continue to fortify our global presence. In Hong Kong Special Administrative Region and Singapore in particular, we have served over 5,000 well-known local merchants in industries such as catering, retail, hotels, luxury goods, etc. Our one-stop payment services and merchant solutions are widely recognized by local merchants, which not only strengthen our brand influence but also lay a solid foundation for our globalization strategy. We will continue to leverage Hong Kong Special Administrative Region as a global hub to expand further into the Southeast Asian and North American markets.

Technological Innovation and Use of Generative AI Technology

In technological innovation, Yeahka has actively embraced generative AI technology and made significant breakthroughs in areas such as automated programming, intelligent customer service, and content generation. Our AI technology improves operational efficiency, reduces costs while enhancing the user experience and creates more value for our merchants and consumers. For example, our self-developed automative programming co-pilot increased the code adoption rate to 10%, greatly improving R&D efficiency. In addition, Yeahka's AI Lab adopted the latest large models and massive data to develop a number of generative AI products, which have been applied to the creation of marketing materials, resulting in a significant reduction of content production costs by more than 90% while improving content generation efficiency by 70%.

ESG Commitment

We have actively integrated ESG into our strategic objectives and daily operations. We are continuously improving our ESG governance system, with a focus on realizing long-term, high-quality, sustainable development. In 2023, we scored 54 in the S&P Global ESG Ratings and A – in the Hang Seng Corporate Sustainability Indexes, leading the industry. In addition, we were recognized in the S&P Global's 2023 Sustainability Yearbook (China Edition) during the Reporting Period as one of the 88 companies on the list out of nearly 1,600 participating companies.



CHAIRMAN'S STATEMENT

Outlook

Looking ahead, we will maintain technological innovation as our core driver and continue to implement our globalization strategy. In terms of technological innovation, we will actively advance the use of generative AI technologies to improve operational efficiency and reduce costs, making our products and services more competitive. We will also continue to explore new business models to adapt to the ever-changing market environment and provide a more personalized and efficient user experience for merchants and consumers.

In the domestic market, we will deepen our roots and strengthen our compliance management to ensure the standardization and efficiency of our business operations. We will also focus on enhancing the commercialization capabilities of our businesses to meet the diversified needs of the domestic market. In overseas markets, we remain committed to accelerating the pace of expansion and the localization of our products and services. To build our new global strategic footprint, we will cooperate more closely with overseas banks, international card organizations, and local enterprises.

We believe that these initiatives will enable us to ride the wave of globalization, continuously improve our international competitiveness, and provide even better products and services to merchants and consumers around the world. We look forward to working hand in hand with our partners to create a better future.

Appreciation

The Board would like to convey its profound gratitude to our Shareholders, merchants, partners, and consumers for their unwavering support and confidence in the Company. Moreover, the Board is truly grateful to all our employees and the management team for their efforts and dedication.

Liu Yingqi

Chairman

March 21, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Business Highlights

- **One-stop payment services further solidified our industry-leading position:**
 - Total gross payment volume (“**GPV**”) of one-stop payment services increased by **29.2%** year-on-year to reach **RMB2,882.9 billion**, out of which **71.2%** was app-based payment services;
 - Number of active payment services merchants² increased by **13.3%** year-on-year to **9.2 million**;
 - Fee rate³ increased to **13.3 basis points (bps)** in 2023 from 12.3 bps in 2022, increasing by 1 bps year-on-year;
 - 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 nearly **5,000**.
- **In-store e-commerce services sustained strong growth momentum and narrowed losses significantly:**
 - Total gross merchandise value (“**GMV**”) of in-store e-commerce services exceeded **RMB4.3 billion**, increasing by **30.3%** year-on-year.
- **Merchant solutions benefited from cross-segment synergy and recovery of offline consumption, effectively driving commercialization rate:**
 - Number of active merchant solutions merchants for the year ended December 31, 2023 exceeded **1.6 million**, increasing by **30.8%** year-on-year.

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.

2 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.

3 After eliminating the impact of the “Non-Recurring Adjustment on Revenue” (defined below) to reflect a complete picture of our operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Progress and Outlook

2023 marked a year of China's economic recovery. Benefiting from our unique positioning in serving small and medium-sized offline merchants, our strategically-built independent and scalable ecosystem, and following the steady recovery of the domestic small and medium economy, our business achieved steady growth. During the Reporting Period, our one-stop payment services GPV and number of active payment services merchants significantly increased year-on-year. The GMV of in-store e-commerce services and the penetration rate of merchant solutions also continued to grow. Furthermore, we operated each of our businesses more efficiently in 2023 and continued to narrow losses from our in-store e-commerce services to achieve a significant year-on-year increase in non-IFRS adjusted EBITDA.

The following table sets forth the comparative figures for the year ended December 31, 2023 and December 31, 2022, respectively, illustrating our solid growth capability, high operating efficiencies and robust synergies across our three business lines:

	For the year ended December 31,		Year-on-year change (%)
	2023 RMB'000	2022 RMB'000	
Revenue ⁽¹⁾	3,950,585	3,418,035	15.6
- One-stop payment services ⁽¹⁾	3,484,960	2,754,252	26.5
- App-based payment services	2,862,544	2,162,111	32.4
- Traditional payment services	622,416	592,141	5.1
- Merchant solutions	362,951	309,562	17.2
- In-store e-commerce services	102,674	354,221	(71.0)
Gross profit ⁽¹⁾	738,164	1,030,944	(28.4)
Gross profit margin ⁽¹⁾	18.7%	30.2%	(11.5) ⁽²⁾
Non-IFRS measure: adjusted EBITDA ⁽³⁾	556,047	213,405	160.6

Note:

- (1) During the Reporting Period, we paid approximately RMB344.4 million in aggregate in relation to interchange fee rate adjustments to a suspended account of the payment networks as requested by the payment networks. We netted off such payments from our one-stop payment services revenue for the year ended December 31, 2023 in accordance with the Group's accounting policies of revenue recognition and based on our preliminary communications with the payment networks. Such impact on our revenue is non-recurring ("**Non-Recurring Adjustment on Revenue**").
- (2) Percentage points.
- (3) For details of our Non-IFRS measures, see "Management Discussion and Analysis - Non-IFRS Measures."

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2023, our total revenue, despite being partially offset by the Non-Recurring Adjustment on Revenue, increased to RMB3,950.6 million, up 15.6% from RMB3,418.0 million for the year ended December 31, 2022. Revenue from our one-stop payment services, despite being partially offset by the Non-Recurring Adjustment on Revenue, increased by 26.5% year-on-year, mainly due to (i) the 29.2% growth in total GPV to RMB2,882.9 billion from RMB2,231.6 billion in 2022, of which we primarily serve small and medium merchants from a wide range of industries, including food and beverages, retail and wholesale, among others, representing the key components of the consumer staples sector which are less susceptible to macro turbulence; and (ii) the increase in our fee rate⁴ to 13.3 bps from 12.3 bps in 2022.

Our gross profit decreased by 28.4% to RMB738.2 million in 2023 from RMB1,030.9 million in 2022, and our gross profit margin decreased to 18.7% in 2023 from 30.2% in 2022. These decreases were mainly attributable to the netting off of the non-recurring impact of approximately RMB344.4 million in relation to interchange fee rate adjustments from our one-stop payment services revenue for the Reporting Period in accordance with the Group's accounting policies of revenue recognition and based on our preliminary communications with the payment networks. Eliminating this impact, our gross profit was RMB1,082.6 million with a gross profit margin of 25.2%. Adjusted EBITDA, an indication of our core operating results and financial performance, increased to RMB556.0 million in 2023, representing growth of 160.6% compared with 2022. Our in-store e-commerce services net loss narrowed to RMB43.5 million in 2023 from RMB211.3 million in 2022, as a result of the scaling effect and enhanced operating efficiencies. In addition, in-store e-commerce services gross profit margin increased to 80.3% in 2023 from 67.3% in 2022.

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

One-Stop Payment Services: Outstanding Growth Domestically, Rapid Progress Overseas

In 2023, we leveraged the offline consumption recovery trend, improvements in the competitive landscape, and our leading position in the payment industry, to drive a 29.2% year-on-year increase in GPV to RMB2.88 trillion. Furthermore, the number of active payment services merchants exceeded 9.2 million and the peak daily count of app-based payment transactions reached a record high of nearly 60 million, altogether representing a stellar performance that exceeded the industry's growth level. During the Reporting Period, we continued to expand our diversified and extensive channel network and vertical-based payment solutions. With nearly 19,000 independent sales agents in over 300 cities across China and nearly 5,000 SaaS partners through standardized application programming interfaces (APIs), we broadened our coverage to include food and beverages, retail, wholesale, department stores, hotel and tourism, and other verticals, spurring a continuous expansion of our business scale.

During the Reporting Period, our revenue from one-stop payment services increased by 26.5% year-on-year. Our revenue was partially offset by approximately RMB344.4 million as we netted off payments in relation to interchange fee rate adjustments from our one-stop payment services revenue for the Reporting Period in accordance with the Group's accounting policies of revenue recognition and based on our preliminary communications with the payment networks. Eliminating this impact, our revenue increased by 39.0% year-on-year and fee rate reached 13.3 bps.

4 After eliminating the impact of the "Non-Recurring Adjustment on Revenue" to reflect a complete picture of our operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The strong growth in our one-stop payment services was driven by our continued efforts to develop new business growth catalysts. In 2023, we made significant progress in the breadth and depth of our joint merchant acquiring business with commercial banks. We partnered with over 150 commercial banks and the corresponding GPV doubled. At the same time, we have deepened our cooperation with commercial banks by providing merchant discount packages for in-store e-commerce to the bank's customer loyalty program, as well as SaaS interactive game marketing in merchant solutions, further helping banks activate and expand their user base, increasing our differentiated competitive edge in the payment industry, and further enhancing the synergy of the three major businesses lines of Yeahka. Our Digital Currency Electronic Payment (DC/EP) business also reached a new milestone as we became one of the first batches of institutions to access the e-CNY compatible system of the Digital Currency Institute under the People's Bank of China. During the Reporting Period, we provided DC/EP solution to 12,000 merchants, completed 39,000 transactions, and achieved GPV of RMB22 million. In addition, we became one of Mastercard NUCC's first partners for acquiring foreign cards and obtained Visa membership, allowing us to help our merchants accept foreign card payments in China.

We also made breakthroughs in developing one-stop payment services overseas. In 2023, we actively expanded our collaboration with overseas card associations and the world's leading e-wallets and signed a Memorandum of Understanding for global strategic cooperation with Alipay International. We have incorporated Yeahpay Singapore, obtained MPI license and MSO license in Singapore and Hong Kong Special Administrative Region, respectively, and launched local QR code and bank card merchant acquiring services, serving over 5,000 well-known local merchants in industries such as catering, retail, hotels, luxury goods, etc., including brands such as Xiabu Xiabu, TWG Tea, Pullman Hotel, Rolex, etc. Moreover, the overseas company we invested in provided merchant SaaS services for brands such as Starbucks, Bread Talk, Pizza Hut, further enhancing our overseas business landscape. Moving through 2024, we will conduct acceptance and remittance, currency exchange and settlement businesses globally to further enrich our overseas product matrix and fortify our global presence.

Going forward, we will continue to strengthen compliance management, deepen our focus on commercialization and promote win-win collaborations in domestic and overseas payment businesses.

In-store E-commerce Services: Comprehensive Digital Marketing Strategy Strengthens Growth, Resulting in Significant Narrowing in Losses

According to iResearch, the market size of the local lifestyle services industry in China is expected to reach RMB35 trillion by 2025, implying broad prospects for our in-store e-commerce services development. During the Reporting Period, while significantly narrowing our losses, we delivered GMV exceeding RMB4.3 billion, an increase of 30.3% year-on-year. In 2023, we propelled growth by servicing merchants' diversified traffic needs in-depth, implementing co-op model to expand the market, and strategically offering concessions to merchants to address intensified short-term market competition. Furthermore, our leading market position and improved operating efficiency boosted our gross profit margin to 80.3% in 2023 from 67.3% in 2022, while net loss continued to narrow by 79.4% year-on-year to RMB43.5 million in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, we adhere to our position as a local lifestyle aggregation platform and expanded our diversified traffic partner base to include Meituan, Kuaishou, Xiaohongshu, Weixin Channels, Amap, Pinduoduo, etc. We also continued to build merchants' comprehensive digital marketing capabilities, refined our midstream operational capabilities, and continuously strengthened synergies with other businesses. Leveraging the increasing trend towards digitization of local lifestyle services and our diversified traffic operating ability, we will further develop our comprehensive digital marketing capabilities for merchants. We are cooperating with hundreds of thousands of KOLs to create high-quality live streaming and short videos, coupled with customized tactics targeting different characteristics of traffic platforms and customer groups, and to assist merchants with customer acquisition and retention in one-stop by methods such as live streaming and short videos. Our standardized midstream tools can help merchants to reach target consumer groups accurately and respond to the growing digitalization trend across local lifestyle services.

Looking ahead to 2024, the continued implementation of our comprehensive digital marketing strategy will remain a key driver of our growth and will effectively strengthen the deep binding with our merchants and soften the impact of market competition and policy changes on a single traffic platform. Furthermore, we will adopt more refined and industry-specific operational strategies for verticals such as food and beverages, hotel and tourism, comprehensive services, and e-commerce, while integrating our payment and merchant solutions' capabilities and resources to create synergies. Concurrently, we will continue to use AI technology and cross-platform midstream systems to continuously enhance our overall operational capabilities and efficiency, empowering our merchants' sustainable business operations.

Merchant Solutions: Product Innovation Drove Commercialization Capability Enhancement

The growth in our merchant solutions overall performance reflects our strong merchant servicing capabilities. Merchant solutions' revenue increased by 17.2% year-on-year to RMB363.0 million during the Reporting Period compared to 2022, mainly attributable to the improved product commercialization and offline merchants' growing willingness to pay. During the Reporting Period, we introduced our pioneering metaverse game, "Yverse," to help merchants create an engaging metaverse space and conduct in-depth private domain marketing through immersive metaverse games. After the game's launch, the weekly activity rate of merchants' private domain communities grew from 12% to 37%, and the user retention rate increased from 30% to 70%.

MANAGEMENT DISCUSSION AND ANALYSIS

Technological Innovation: Generative AI Technology Reduced Cost and Improved Efficiency

In 2023, benefiting from our forward-thinking planning, we made great advancements in research and development. Our private clouds have been widely applied throughout our technological infrastructure, significantly reducing costs comparing with traditional physical hosts in data centers. Additionally, our private clouds are also made available to our payment partners. More importantly, Yeahka's AI Lab adopted latest large models to develop a number of generative AI products based on our own application scenarios, and greatly improved R&D and operational efficiency. Based on open-source large models, we developed and locally deployed automotive programming co-pilot, increased code adoption rate to 10%, and optimized our R&D processes. On content-based interaction front, we have developed proprietary AI content generation platform and AI-powered interactive virtual hosts based on massive data including video, graphics, text, dialogues, etc. We also launched AI-powered customer service kit that provides instant feedback on complex issues and gives customized suggestion. These initiatives significantly reduced content production cost by 90%, increased content generation efficiency by 70%, and boosted customer service self-serve rate to 30%, allowing merchants and consumers to experience smooth and personalized interactive experience in our ecosystem. Looking ahead, we will focus on exploring cutting-edge technology applications in various business lines and our technology infrastructures. We are confident in using generative AI technology to further reduce costs, increase efficiency, and explore new business models.

Company Outlook

Going forward, we will continue to enhance each business's commercialization capabilities to maintain high-quality development in domestic market. At the same time, we will vigorously expand into overseas markets, upgrading local payment infrastructure, and accelerating localization of our products and services, to facilitate the adoption of our fast and stable comprehensive digitalization services by merchants and consumers in cross-border and localized scenarios abroad. To achieve further growth in overseas markets, we are actively expanding cooperation with overseas banks, international card organizations, and local enterprises.

Share Purchase Pursuant to the RSU Scheme and Share Repurchase

During the Reporting Period, the RSU Trustee has utilized an aggregate of approximately HKD113.3 million (including commissions and transaction costs) to purchase 7,280,400 Shares from the market at a consideration ranging from HKD13.26 to HKD21.5 per Share. The Shares purchased during such period represent 1.63% of the issued Shares as of December 31, 2023.

During the Reporting Period, the Company has also utilized an aggregate of approximately HKD45.5 million (including commissions and transaction costs) to repurchase 3,001,600 Shares from the market at a consideration ranging from HKD14.24 to HKD21.25 per Share. The Shares repurchased during such period represent 0.67% of the issued Shares as of December 31, 2023. All of the Shares repurchased during the Reporting Period were subsequently cancelled by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental, Social and Governance

We actively integrate ESG into our strategic objectives and daily operations, and continuously improve our ESG governance system, with a focus to realize long-term and high-quality sustainable development. In 2023, we scored 54 in the S&P Global ESG Ratings and A- (54.21) in the Hang Seng Corporate Sustainability Indexes, leading the industry. In addition, we were recognized in the S&P Global's 2023 Sustainability Yearbook (China Edition) during the Reporting Period as one of the 88 companies on the list out of nearly 1,600 participating companies.

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 and centralizing resource allocation through Yeahka's private cloud, increasing the overall effective utilization rate of computing resources by more than 8%. Meanwhile, we have increased the proportion of clean energy usage in our data operation centers, constructed green data centers and fully utilized natural cooling sources for energy-saving, thereby decreasing the emission of greenhouse gases. 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 the level of transaction risk control. During the Reporting Period, we made more than 17 billion risk decisions and performed risk treatment on more than 15 million risky transactions, effectively ensuring transaction security. At the same time, we provided our employees with compensation incentives and a variety of training, and were committed to building a diversified and high-quality talent team, realizing the mutual development of employees and the enterprise. In addition, we fully utilized our product advantages to provide value-added financial services and non-financial support, such as media promotion, to micro and small merchants to help promote their brands and contribute to 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 trainings to fortify our risk management capabilities. During the Reporting Period, we conducted multiple trainings as well as published manuals on anti-corruption, operation compliance, risk management, anti-money laundering, and the Sunshine Code of Conduct, 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 Shareholders. In particular, 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 of Performance for the Year ended December 31, 2023

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Revenue	3,950,585	3,418,035
<i>Including: interest revenue</i>	130,805	67,652
Cost of revenue	(3,212,421)	(2,387,091)
Gross profit	738,164	1,030,944
Selling expenses	(124,971)	(386,498)
Administrative expenses	(338,833)	(322,796)
Research and development expenses	(265,572)	(270,273)
Net impairment losses on financial assets	(57,843)	(48,701)
Other income	56,256	54,378
Fair value changes of financial assets and financial liabilities at fair value through profit or loss	144,563	119,530
Other losses – net	(26,750)	(9,758)
Operating profit	125,014	166,826
Finance costs	(89,937)	(52,466)
Share of profits of investments accounted for using the equity method	357	8,098
Profit before income tax	35,434	122,458
Income tax expense	(25,321)	(26,445)
Profit for the year	10,113	96,013
Profit for the year attributable to:		
Equity holders of the Company	11,627	153,922
Non-controlling interests	(1,514)	(57,909)

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 15.6% from RMB3,418.0 million for the year ended December 31, 2022 to RMB3,950.6 million for the year ended December 31, 2023, primarily due to the growth in our one-stop payment services.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Revenue from one-stop payment services	3,484,960	88.2	2,754,252	80.6
Revenue from in-store e-commerce services	102,674	2.6	354,221	10.3
Revenue from merchant solutions	362,951	9.2	309,562	9.1
Total	3,950,585	100.0	3,418,035	100.0

One-stop payment services

Revenue from our one-stop payment services increased by 26.5% from RMB2,754.3 million for the year ended December 31, 2022 to RMB3,485.0 million for the year ended December 31, 2023, primarily due to the increase in our GPV and fee rate⁵.

In-store e-commerce services

We commenced to provide in-store e-commerce services in December 2020. Revenue from in-store e-commerce services decreased by 71.0% from RMB354.2 million for the year ended December 31, 2022 to RMB102.7 million for the year ended December 31, 2023, primarily due to the implementation of our co-op model, as well as strategically offering concessions to merchants to address intensified short-term market competition.

Merchant solutions

Revenue from our merchant solutions increased by 17.2% from RMB309.6 million for the year ended December 31, 2022 to RMB363.0 million for the year ended December 31, 2023, primarily due to our improved product monetization and offline merchants' growing willingness to pay.

5 After eliminating the impact of the "Non-Recurring Adjustment on Revenue" to reflect a complete picture of our operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenue

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Commissions and marketing costs	3,057,862	95.2	2,291,642	96.0
Amortization of other non-current assets	94,980	2.9	43,650	1.8
Raw materials and consumables	14,829	0.5	13,421	0.6
Others	44,750	1.4	38,378	1.6
Total	3,212,421	100.0	2,387,091	100.0

Our cost of revenue increased by 34.6% from RMB2,387.1 million for December 31, 2022, to RMB3,212.4 million for the year ended December 31, 2023, primarily due to the increase in commission paid to our payment distribution channels following the increase in the total GPV of our one-stop payment services.

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
One-stop payment services	3,146,532	98.0	2,221,884	93.1
In-store e-commerce services	20,195	0.6	115,975	4.8
Merchant solutions	45,694	1.4	49,232	2.1
Total	3,212,421	100.0	2,387,091	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

	For the year ended December 31,			
	2023		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%
One-stop payment services	338,428	9.7	532,368	19.3
In-store e-commerce services	82,479	80.3	238,246	67.3
Merchant solutions	317,257	87.4	260,330	84.1
Total	738,164	18.7	1,030,944	30.2

Our gross profit decreased by 28.4% from RMB1,030.9 million for the year ended December 31, 2022 to RMB738.2 million for the year ended December 31, 2023. Our gross profit margin decreased from 30.2% for the year ended December 31, 2022 to 18.7% for the year ended December 31, 2023 as a result of the decrease in gross profit margin of our one-stop payment services.

Gross profit margin of our one-stop payment services decreased from 19.3% for the year ended December 31, 2022 to 9.7% for the year ended December 31, 2023 as we (i) offered higher commissions to our payment distribution channels temporarily while increasing our fee rate to facilitate our expansion strategy and (ii) netted off payments in relation to interchange fee rate adjustments from our one-stop payment services revenue for the Reporting Period in accordance with the Group's accounting policies of revenue recognition and based on our preliminary communications with the payment networks.

Gross profit margin of in-store e-commerce services increased from 67.3% for the year ended December 31, 2022 to 80.3% for the year ended December 31, 2023, primarily due to improvement in operating efficiency.

Gross profit margin of merchant solutions increased from 84.1% for the year ended December 31, 2022 to 87.4% for the year ended December 31, 2023.

Selling Expenses

Our selling expenses decreased by 67.7% from RMB386.5 million for the year ended December 31, 2022 to RMB125.0 million for the year ended December 31, 2023, primarily due to the decrease in selling expenses following the streamlining of cost structure of our in-store e-commerce services.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Our administrative expenses increased by 5.0% from RMB322.8 million for the year ended December 31, 2022 to RMB338.8 million for the year ended December 31, 2023, primarily due to the increase in our employee benefits.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB270.3 million and RMB265.6 million for the years ended December 31, 2022 and 2023, respectively.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 18.8% from RMB48.7 million for the year ended December 31, 2022 to RMB57.8 million for the year ended December 31, 2023 as we adopted a more refined credit risk model and increased impairment on loan receivables prudently.

Other Income

Our other income increased by 3.5% from RMB54.4 million for the year ended December 31, 2022 to RMB56.3 million for the year ended December 31, 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

We recorded fair value changes of financial assets and financial liabilities at fair value through profit or loss of RMB119.5 million for the year ended December 31, 2022 and RMB144.6 million for the year ended December 31, 2023, respectively, primarily due to the fair value gains from the investments in preferred shares and related financial instruments of an investment company, Fushi.

Other Losses – Net

We recorded other losses – net of RMB9.8 million and RMB26.8 million for the years ended December 31, 2022 and 2023, respectively. The increase in other losses – net was primarily due to provision for regulatory fines.

Operating Profit

As a result of the foregoing, we recorded operating profit of RMB166.8 million for the year ended December 31, 2022 and RMB125.0 million for the year ended December 31, 2023.

Finance Costs

Our finance costs increased by 71.4% from RMB52.5 million for the year ended December 31, 2022 to RMB89.9 million for the year ended December 31, 2023, primarily due to the increase in interest expenses on our borrowings and convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of Profits of Investments Accounted for Using the Equity Method

We recorded share of profits of investments accounted for using the equity method of RMB8.1 million and RMB0.4 million for the years ended December 31, 2022 and 2023, respectively, the change was primarily due to the decrease in our share of profits in an associate of the Group.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax decreased by 71.1% from RMB122.5 million for the year ended December 31, 2022 to RMB35.4 million for the year ended December 31, 2023.

Income Tax Expense

Our income tax expense decreased by 4.3% from RMB26.4 million for the year ended December 31, 2022 to RMB25.3 million for the year ended December 31, 2023. Our effective tax rate was 21.6% and 71.5% for the year ended December 31, 2022 and 2023, respectively. The increase was mainly due to deferred tax assets of certain businesses not being recognized due to our prudent approach.

Profit for the Year

As a result of the foregoing, our profit decreased by 89.5% from RMB96.0 million for the year ended December 31, 2022 to RMB10.1 million for the year ended December 31, 2023.

Non-IFRS Measures

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 should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Unaudited For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Profit for the year	10,113	96,013
Adjusted for:		
Finance costs	89,937	52,466
Amortization of other non-current assets	94,980	43,650
Depreciation of property, plant and equipment	37,719	44,852
Amortization of intangible assets	18,211	23,127
Income tax expense	25,321	26,445
EBITDA	276,281	286,553
Add:		
Share-based compensation expenses	79,929	46,382
Non-Recurring Adjustment on Revenue ⁽¹⁾	344,400	-
Deduct:		
Fair value changes of financial assets and financial liabilities at fair value through profit or loss - net	(144,563)	(119,530)
Adjusted EBITDA	556,047	213,405

Note:

- (1) During the year ended December 31, 2023, we paid approximately RMB344.4 million in aggregate in relation to interchange fee rate adjustments to a suspense account of the payment networks as requested by the payment networks. We netted off such payments made to the suspense account from our one-stop payment services revenue for the year ended December 31, 2023 in accordance with the Group's accounting policies of revenue recognition and based on our preliminary communications with the payment networks. Such impact on our revenue is non-recurring.

Our adjusted EBITDA for the year increased by 160.6% from RMB213.4 million for the year ended December 31, 2022 to RMB556.0 million for the year ended December 31, 2023.

Capital Structure

Our total assets increased from RMB7,290.0 million as of December 31, 2022 to RMB8,420.4 million as of December 31, 2023. Our total liabilities increased from RMB4,608.7 million as of December 31, 2022 to RMB5,803.0 million as of December 31, 2023. Liabilities-to-assets ratio increased from 63.2% as of December 31, 2022 to 68.9% as of December 31, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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 1.24 as of December 31, 2023.

Liquidity, Capital Resources and Gearing

The Group has adopted a prudent approach in financial resources management. For the year ended December 31, 2023, we financed our operations primarily through cash generated from business operations, proceeds from fundraising activities, and bank borrowings. Our cash and cash equivalents decreased by 44.2% from RMB1,591.5 million as of December 31, 2022 to RMB887.9 million as of December 31, 2023, primarily attributable to (i) the payment to the trustee of the RSU Scheme to purchase Shares on market; (ii) the payment for share repurchase on market; (iii) the long-term bank deposits; and (iv) the cash used in operating activities for expanding merchant solutions business. As of December 31, 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 total debt (which includes total borrowings and convertible bonds) divided by total equity, increased from 39.5% as of December 31, 2022 to 45.3% as of December 31, 2023, primarily attributable to the increased balance of borrowings.

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 37.4% from RMB237.4 million for the year December 31, 2022 to RMB148.6 million for the year December 31, 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 and lease liabilities as of the dates indicated:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Non-current		
Convertible bonds	405,539	379,320
Lease liabilities	28,896	6,450
Current		
Bank and other borrowings	780,062	680,390
Lease liabilities	22,521	20,172
Total	1,237,018	1,086,332

MANAGEMENT DISCUSSION AND ANALYSIS

Please refer to notes 31 and 34 to the consolidated financial statements for details of our borrowings and convertible bonds and their interest rates.

Contingent Liabilities

As of December 31, 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 the Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Loan Receivables

As of December 31, 2023, our loan receivables totaled RMB882.3 million (as of December 31, 2022: RMB588.2 million), as we have enlarged our customer base for our merchant solutions services and extended credit to customers with good credit standing.

As part of our merchant solutions services, we aim to satisfy the working capital needs of our customers. Under prudent loan policies, qualified customers can gain access to credit facilities on our platform to purchase inventory, invest in customer acquisition and manage cash flow. As we are responsible for providing the platform as well as ancillary services, including loan applicant information collection and verification and credit assessment, the experience has been essential for the development of our risk management capabilities.

During the Reporting Period, there was no material impairment or write-off of any single loan transaction. For the risk management policies and basis of impairment assessments of the loan receivables, please refer to note 3.1 to the consolidated financial statements. For details of the major terms of the loans, please refer to note 24 to the consolidated financial statements.

Foreign Exchange Risk and Hedging

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

Material Acquisitions or Disposals and Future Plans for Major Investments

During the year ended December 31, 2023, we did not conduct any material investments, acquisitions or disposals of subsidiaries, associates and joint ventures. In addition, save for the expansion plans as disclosed in (i) the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated May 20, 2020, and (ii) the section headed "Use of Proceeds" in the Company's announcements dated December 4, 2020 and July 5, 2022, we have no specific plan for major investment or acquisition for major capital assets or other businesses. However, we will continue to identify new opportunities for business development.

Significant Investment Held

As of December 31, 2023, we were interested in 4,500,000 (17.0%) of the ordinary shares in 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 RMB731,898,000 (as of December 31, 2022: RMB558,553,000), which accounted for approximately 8.7% of our total assets as of December 31, 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 RMB173,345,000 was recognized by us for the year ended December 31, 2023 in respect of our investment in the preferred shares of Fushi. No dividend has been received from Fushi for the year ended December 31, 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.

Performance Guarantees in relation to the Acquisition of 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. As of the date of this report, Chuangxinzhong is still finalizing its audited report for the period from December 1, 2022 to November 30, 2023 and the Company will disclose whether the performance undertaking provided by the vendors in the First Acquisition and Second Acquisition had been met or not in accordance with the Listing Rules in due course.

Employees

As of December 31, 2023, we had a total of 1,103 employees, substantially all of whom were based in China. Please refer to note 10(a) to the consolidated financial statements for details of our employee benefit expenses.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. In July 2022, the Company issued US\$70 million 6.25% convertible bonds due 2027. 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 December 31, 2023:

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the issuance of Convertible Bonds ⁽¹⁾	Actual usage up to December 31, 2023 ⁽¹⁾	Unutilized net proceeds as of December 31, 2023 ⁽¹⁾	Expected timeline for utilizing the remaining net proceeds
	(%)	(In HKD millions)	(In HKD millions)	(In HKD millions)	
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	130.4	296.2	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	34.1	72.6	By end of 2026
Total	100.0	533.3	164.5	368.8	

Note:

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

Rounding

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

DIRECTORS AND SENIOR MANAGEMENT

Our Directors

Executive Directors

Mr. Liu Yingqi (劉穎麒), aged 47, is our chairman, chief executive officer and an executive Director. He was appointed as a Director on September 8, 2011 and was re-designated as executive Director on November 4, 2019. He is responsible for formulating the overall development strategies and business plans and overseeing the management and strategic development of our Group. Mr. Liu is the chairman of the Nomination Committee and ESG Committee and a member of the Remuneration Committee. He is also a director of Yeahka HK since October 2011, a director and the general manager of Shenzhen Yeahka since September 2013 and August 2012 respectively, and the general manager of Yeahka WFOE since April 2012.

Mr. Liu has around 24 years of experience in corporate management and information technology. Prior to joining our Group, Mr. Liu has served as the general manager of Shenzhen Tenpay Technology Company Limited (深圳市財付通科技有限公司) (currently known as Tenpay Payment Technology Co., Ltd. (財付通支付科技有限公司)), an online payment platform company founded by Tencent, from August 2006 to December 2011, during which he was employed by two Tencent group companies respectively. He has been assigned the role of general manager of the online payment department in Tencent Digital (Tianjin) Co., Ltd. (騰訊數碼(天津)有限公司) from January 2008 to December 2011 and role of general manager in Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), being responsible for supervising and managing the online payment of Tencent group companies, from May 2001 to December 2007. Mr. Liu was an engineer of Huawei Technologies Co., Ltd. (華為技術有限公司), a communication technology company, from June 2000 to April 2001.

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

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

Mr. Yao Zhijian (姚志堅), aged 43, was appointed as a Director on January 3, 2019 and was re-designated as an executive Director on November 4, 2019. He was appointed as chief financial officer of our Company on October 24, 2011 and is responsible for overseeing the financial and accounting affairs of our Group, capital and financial management and assisting the chief executive officer in the organizational structure of our Group. Mr. Yao has been the chief financial officer and senior vice president of Shenzhen Yeahka since he joined our Group in October 2011 and the general manager of the finance department of Leshua Technology since October 2013, where he was responsible for capital and financial management. He has also been a director of Yeahka HK since December 2018. He is a member of the ESG Committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yao has over 19 years of experience in the financial and accounting industry. Prior to joining our Group, Mr. Yao first served as an accountant and was promoted to financial officer of Shenzhen Baode Shipping Co., Ltd. (深圳市保得海運有限公司), a shipping company, from December 2004 to October 2011 with his last position being the chief financial officer. He was the tax supervisor of Walmart Business Consulting (Shenzhen) Co., Ltd. (沃爾瑪商業諮詢(深圳)有限公司), a company engaged in global retail, from January 2004 to December 2004. From August 2002 to December 2003, he served as the financial officer of Shenzhen Zhongtianyuan Industry Co., Ltd. (深圳市中天元實業有限公司), a concrete processing company.

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

Mr. Luo Xiaohui (羅小輝), aged 41, was appointed as an executive Director on August 27, 2020 with effect from August 28, 2020. He joined our Group in October 2018 and has served as a senior vice president of the Company, the head of Information Security Supervision Group (資訊安全領導小組組長) and the chief architect (首席架構師) of our Company and Shenzhen Yeahka since December 2018. He is responsible for overseeing our Group's technical architecture, planning and management of technology innovation, and managing the architecture committee and AI laboratory.

Mr. Luo has over 17 years of experience in the information technology sector. Prior to joining our Group, Mr. Luo was a vice president of the technology department of Shenzhen Kuiyuan Technology Co., Ltd (深圳市葵園科技有限公司), a company engaged in software and information technology services, from October 2015 to August 2018. From July 2004 to August 2014, he served various positions and was promoted to deputy director of development center of Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), an internet-based technology and cultural enterprise headquartered in Shenzhen, China.

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

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Akio Tanaka (田中章雄), aged 54, was appointed as a non-executive Director on August 27, 2020 with effect from August 28, 2020. He is a managing partner of Infinity Ventures Partners since February 2008. He is also the director of IVP Advisory Co., Ltd., which advises several funds including IVP Fund II A, L.P. and IVP Fund II B, L.P. (collectively, the “**IVP Funds**”), and serves as directors of businesses related to the funds’ portfolio companies. IVP Funds were investment funds focused on venture capital investments in technology companies with a primary focus in Japan and China. From December 2005 to January 2008, he served as the director of the emerging market investments at Adobe Systems Inc. From January 2002 to December 2005, he served as the chief technology officer of Macromedia Japan and also the vice president and the advisor to the chief executive officer of Macromedia Inc. Mr. Tanaka has over 29 years of experience in venture investment, international business development and information technology.

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

Independent Non-executive Directors

Mr. Tam Bing Chung Benson (譚秉忠), aged 60, was appointed as an independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Tam is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yao Wei (姚衛), aged 46, was appointed as an independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Yao is the chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee and ESG Committee. Mr. Yao has over 18 years of management experience in the technology industry. Mr. Yao has been appointed as the legal representative of Guangzhou Aiwei Technology Development Co., Ltd. (廣州艾威科技發展有限公司), a research and development company, since March 2020. He has also been one of the partners and subsequently served as the deputy general manager of Evertech Technology Limited (廣州艾威儀器科技有限公司), a solution-provider of precision equipment and software based in South China region, since February 2013. From April 2010 to February 2013, Mr. Yao was the South China Regional Manager of GE (China) Co., Ltd. Analysis Instrument (通用電氣(中國)有限公司). He has also served as the South China Regional Manager of Varian Technology China Limited Guangzhou representative office (美國瓦里安技術中國有限公司廣州代表處) from July 2006 to April 2010. Mr. Yao was the sales manager (South China region) of Southeast Chemical Instrument Ltd (東南化學儀器有限公司), an analytical instrument supplier, from September 2002 to July 2006.

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

Mr. Yang Tao (楊濤), aged 50, was appointed as an independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Yang is a member of the Audit Committee.

Mr. Yang was the independent non-executive director of Bank of Jiujiang Co., Ltd (stock code: 6190.HK), a China-based commercial bank principally engaged in providing financial services to small and micro enterprises, individual business owners and the general public, from August 2017 to June 2023. Mr. Yang is a Ph.D. mentor of Chinese Academy of Social Sciences (中國社會科學院) (“CASS”) since November 2014, and is also currently a director of the Research Centre for Payments and Settlements under CASS, responsible for research and development of payment supervision, organization, products and technology. He has been a researcher in the Institute of Finance, CASS since August 2003, focusing on research areas such as macro-economic policies, financial markets, financial technology and payment settlement.

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

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

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Liu Yingqi (劉穎麒), aged 47, is our chief executive officer. See the paragraph headed “Executive Directors” for his biography.

Mr. Yao Zhijian (姚志堅), aged 43, is our chief financial officer. See the paragraph headed “Executive Directors” for his biography.

Mr. Luo Xiaohui (羅小輝), aged 41, is our chief architect (首席架構師). See the paragraph headed “Executive Directors” for his biography.

Mr. Wu Gang (吳剛), aged 42, was appointed as our deputy general manager and general manager of policy development department in April 2016 and is primarily responsible for overseeing the management of the policy development department and general corporate governance and compliance matters.

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

Company Secretary

Ms. Mak Po Man Cherie (麥寶文), has been appointed as our company secretary with effect from the Listing. Ms. Mak is the Vice President of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 19 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. Mak obtained a Master of Corporate Governance degree from The Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003, and a fellow member of the Association of Chartered Certified Accountants in 2006.

Change in Directors’ Biographical Details under Rules 13.51(2) and 13.51B(1) of the Listing Rules

During the year ended December 31, 2023, Mr. Mathias Nicolaus Schilling retired as a non-executive Director upon conclusion of the AGM held on June 5, 2023 to devote more time to pursue his other work commitments. Mr. Mathias Nicolaus Schilling has confirmed that he has no disagreement with the Board and there is no matter in relation to his retirement that needs to be brought to the attention of Stock Exchange or the Shareholders.

Save as disclosed above, there is no change in Directors’ biographical details which is required to be disclosed pursuant to rules 13.51(2) and 13.51B(1) of the Listing Rules for the year ended December 31, 2023.



DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group, for the year ended December 31, 2023.

General Information

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

Principal Activities

The Company is an investment holding company. The Group is principally engaged in providing payment services and business services to merchants and consumers in the PRC. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

Business Review

The business review and performance analysis of the Group for the year ended December 31, 2023 is set out in the chapter headed “Chairman’s Statement” from pages 6 to 8 and “Management Discussion and Analysis” from pages 9 to 26 of this annual report.

Key Relationships

Relationship with Suppliers and Business Partners

Our suppliers and business partners include (i) payment terminal manufacturers, which supply us with payment terminals and accessories, (ii) UnionPay and NetsUnion, which primarily provide us with clearing and switch services and access to payment gateways, as well as (iii) financial institutions which primarily provide us with access to their payment gateways and collaborate with us to provide fintech services. Our largest supplier accounted for 15.17% and our five largest suppliers together accounted for 36.15% of our total cost of sales for the year ended December 31, 2023.

As of the date of this annual report, none of our Directors, their associates or any of our Shareholders (which to the knowledge of the Directors, owned more than 5% of the number of issued Shares of the Company) had any interest in any of our five largest suppliers.

Relationship with Customers

Leveraging our technology platform, we connect merchants and consumers in a diverse set of industries including retail, wholesale, and food and beverage industry. We consider both merchants and consumers essential components of our customer base. Typically, customers for our payment services comprise merchants; customers for our merchant solutions comprise merchants, consumers, financial institutions and merchant service providers. We primarily serve small and medium merchants from a wide range of industries across China. For the year ended December 31, 2023, the number of active payment service merchants^(Note) was approximately 9.2 million. They represent businesses in a diverse set of industries, including retail, wholesale, and food and beverage. Our five largest customers together accounted for 2.45% of our total revenue for the year ended December 31, 2023.

As of the date of this annual report, none of our Directors, their associates or any of our Shareholders (which to the knowledge of the Directors, owns more than 5% of the number of issued Shares of the Company) had any interest in any of our five largest customers.

Note:

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

Relationship with Employees

Our success depends on our ability to attract, retain and motivate qualified personnel. We primarily recruit our employees through campus recruitment, recruitment agencies, and online channels. As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based bonuses and certain other incentives. We have adopted a robust training program, pursuant to which employees regularly receive trainings on areas including technology, regulation and management from internal or external speakers. We offer ongoing in-house training for different levels of employees, tailored to their roles and skill levels. We believe our training culture has contributed to our ability to recruit and retain qualified employees. We have established a dual-track career path that separately assesses managerial and technical talents, enhancing opportunities for personal development and career advancement. We engage external human resources business partners to enhance communication with, and provide counselling to new recruits and key employees. As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We also purchase commercial health and accidental insurance for our employees. We believe that we maintain a good working relationship with our employees and we did not experience any labor strikes or other material labor disputes that affected our operations for the year ended December 31, 2023.



DIRECTORS' REPORT

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

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such will be set out in the Environmental, Social and Governance Report to be published on the same date as this annual report.

Licences, Regulatory Approvals and Compliance with Laws and Regulations

During the year ended December 31, 2023, there were no material breaches or violations of relevant laws and regulations in China, where the Group has business entities and operations, and the Group obtained all requisite licenses, approvals and permits from relevant authorities that are material to the Group’s operations in China. Details of our compliance with relevant laws and regulations will be set out in the Environmental, Social and Governance Report.

Principal Risks and Uncertainties

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

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

DIRECTORS' REPORT

Principal Risks and Uncertainties

Risks related to significant disruption in service on our platform, malfunctions of our technology systems, errors and quality issues in our software, hardware, and systems, or human errors in operating these systems

Description

Our business is dependent on the ability of our information technology systems to stably and timely process a large amount of information and transactions. Our operations depend on the ability of the host of our system hardware to protect its and our systems in its facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or criminal acts. Our software, hardware, and systems may contain undetected errors, that could have a material adverse impact on our business, particularly where such errors are not timely detected and remedied. Any errors, defects, disruptions in services, or other performance problems with our services could hurt our reputation and damage our customers' businesses.

Key Mitigations

We have set up security systems and measures including firewall, intrusion prevention system, bastion host and vulnerability scanning which monitor and control incoming and outgoing traffic, identify weaknesses in our information technology systems and withstand attacks to our information technology systems. We also regularly conduct security scanning, penetration tests and bug fixing on our systems to prevent information security threats.

For the operations of our core servers and databases, we adopt "double - review" (雙人覆核) approach in order to prevent malicious operations by an employee. Our employees are only authorized to access servers and systems to the extent which is necessary for performing their job duties.

Principal Risks and Uncertainties

Risks related to reliance on business partners

Description

Our payment and business services rely on technologies, services and infrastructure offered by third parties that we do not control, such as payment networks, commercial banks, trust companies, insurance companies and telecommunication operators. We rely on them for a variety of services, including transmitting transaction data, processing chargebacks and refunds, facilitating same-day or settlement service and providing value-added services. Our IT systems and various interfaces also utilize or are connected to the platforms, infrastructures and technologies of these third parties. If they fail to provide services adequately, including as a result of system errors, human errors or events beyond their control, or they refuse to provide these services on terms acceptable to us or at all, and we are not able to find suitable alternatives, our business may be materially and adversely affected.

Key Mitigations

We receive real-time alerts for any malfunctions in and interruptions to our operations and have developed contingency plans for situations in which malfunctions in or interruptions to our operations are caused by failure in the technologies, services or infrastructure provided by our business partners. For instance, we maintain two server rooms with one being the backup. As the server rooms adopt three routing connections provided by two different operators, in the event that any of the routing connections is interrupted, the servers can still connect properly without compromising our services. In addition, for servers we rent from third parties, as we have a master database server together with three associated counterparts, where the master database server experiences malfunctions or interruptions, one of the three associated counterparts will take over automatically as the master database server, thereby effectively minimizing the negative impact arising from failure of the master database server on our business.

We maintain close contact with our business partners and will communicate with them in a timely manner in situations where malfunctions in or interruptions to our operations are caused by them so as to devise a risk response plan to minimize disruption.

DIRECTORS' REPORT

Principal Risks and Uncertainties

Risks relating to fraudulent and fictitious transactions, and misconducts committed by our employees, customers, distribution channels and other third parties

Description

Offering payment services to a large number of customers, we may be subject to liability for fraudulent payment transactions by customers, in particular, fraudulent chargeback and use of counterfeit cards. Fraud or other misconducts committed by our employees, customers, distribution channels or other third parties may be difficult to detect or prevent and could subject us to financial losses and regulatory sanctions as well as seriously damage our reputation. Fraudulent activities have become increasingly sophisticated. Failure to effectively identify and address these risks could lead to losses, regulatory penalties or even regulatory restrictions to our business operations, which will adversely affect our business, financial condition, and results of operations.

Key Mitigations

We maintain an anti-fraud system which automatically monitors merchants through multiple dimensions to evaluate fraud risks and minimize fraud exposure.

We also adopt a professional anti-money laundering system which continuously monitors and identifies merchants with respect to customer ratings, suspicious transactions, large-sum transactions, and the like.

We provide our employees with regular trainings on anti-money laundering, fraudulent and fictitious transactions and misconduct in order to enhance their understanding and awareness on these issues.

Subsequent Events

There were no material events subsequent to December 31, 2023 which could have a material impact on our operating and financial performance as of the date of this annual report.

Financial Statements

The results of the Group for the year ended December 31, 2023 and the state of the Group's financial position as at that date are set out in the consolidated financial statements from pages 94 to 229 of this annual report.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended December 31, 2023.

Reserves

The Company may pay dividends out of share premium, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As of December 31, 2023, the Company had distributable reserves of approximately RMB2,486,877,000 (2022: RMB2,637,234,000).

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2023 are set out in note 15 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in note 26 to the consolidated financial statements in this annual report.

Bank Borrowings and other Loans

Details of bank borrowings and other loans of the Group as at December 31, 2023 are set out in note 31 to the consolidated financial statements of this annual report.

Pledge of Assets

As of December 31, 2023, we pledged account receivables of about RMB7.0 million to one bank.

Financial Summary

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

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

During the Reporting Period, the trustee of the RSU Scheme has utilized an aggregate of approximately HKD113.3 million (including commission and transaction cost) to purchase 7,280,400 Shares on market at a consideration ranging from HKD13.26 to HKD21.5 per share. The Shares purchased during such period represent 1.63% of issued Shares as at December 31, 2023, and will be used as awards for the participant(s) in the RSU Scheme.

DIRECTORS' REPORT

During the Reporting Period, the Company has also utilized an aggregate of approximately HKD45.5 million (including commission and transaction cost) to repurchase 3,001,600 Shares on market at a consideration ranging from HKD14.24 to HKD21.25 per share. The Shares repurchased during such period represent 0.67% of issued Shares as at December 31, 2023. All of the shares repurchased during the Reporting Period were subsequently cancelled by the Company. The repurchase was based on the Company's operational growth outlook while acknowledging market conditions and macroeconomic performance indicators. Details of the shares repurchased are as follows:

Month of repurchase in the year ended December 31, 2023	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
August	1,846,000	15.88	14.50	28,097,536
September	1,134,400	15.54	14.24	16,914,960
Total:	3,001,600			45,455,016

Save as disclosed above and in note 26 to the consolidated financial statements, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company for the year ended December 31, 2023.

Restricted Share Unit Scheme and Share Option Scheme

Restricted Share Unit Scheme

On August 1, 2019, the RSU Scheme was approved and adopted by the Board (and amended by the Board in December 2022). As part of the Reorganization and for the convenience of the governance of the Company, the Company adopted the RSU Scheme to replace the Pre-IPO Stock Incentive Scheme such that all the options granted under the Pre-IPO Stock Incentive Scheme are converted to RSUs. The Pre-IPO Stock Incentive Scheme has been terminated. Further details of the Reorganization and the conversion of share options to RSUs are set out in the Prospectus. The purpose of the RSU Scheme is to incentivize Directors (excluding independent non-executive Directors), senior management of our Group and holding companies, fellow subsidiaries or associated companies of the Company, and other selected personnel for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

The RSU Scheme was adopted before the new Chapter 17 of the Listing Rules coming into effect (effective on January 1, 2023). The Company will comply with the new Chapter 17 in accordance with the transitional arrangements for existing share schemes.

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

The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being August 1, 2019 (unless it is terminated earlier in accordance with its terms), after which no further RSUs shall be granted or accepted, but the provisions of the RSU Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the period of the RSU Scheme. As of December 31, 2023, the remaining life of the RSU Scheme is approximately five years and seven months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the purpose of the RSU Scheme from time to time. As of January 1, 2023 and December 31, 2023, the total number of Shares held by the trustee for the purpose of RSU Scheme were 70,370,616 and 76,396,682, respectively, representing 15.8% and 17.1% of the shares of the Company in issue as of the relevant dates, respectively. The trustee holding unvested shares of the RSU Scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. The Company may (i) allot and issue Shares to the trustee to be held by the trustee and which will be used to satisfy the RSUs (except those RSUs granted to service providers) upon exercise and/or (ii) direct and procure the trustee to receive existing shares from any shareholder of the Company or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The Company shall rely on any general mandate or specific mandate obtained from the Shareholders at any general meetings of the Company in accordance with the Listing Rules to issue and allot Shares underlying any RSUs to the trustee. The total number of shares available for issue under the general mandate approved by the Shareholders at the annual general meeting of the Company held on June 5, 2023 was 89,198,568 Shares, representing 20.1% of the total number of issued Shares as of the date of this report. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme.

DIRECTORS' REPORT

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

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

The Company has appointed TMF Trust (HK) Limited as the RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme were allotted and issued to RSU Nominee 1 and RSU Nominee 2, each of which being a company wholly-owned by the RSU Trustee. As of December 31, 2023, RSUs in respect of 47,674,749 underlying Shares were granted under the RSU Scheme for the benefit of Eligible Persons pursuant to the RSU Scheme, and RSUs in respect of an aggregate of 7,454,773 underlying Shares, representing approximately 1.67% of the total number of issued Shares as of the same date, were granted but have not been vested, have been lapsed or cancelled and remain to be held by RSU Nominee 1 and RSU Nominee 2. The grantees of the RSUs granted under the RSU Scheme as referred to in the table below are not required to pay for the grant of any RSU under the RSU Scheme.

The table below sets out the movements in the RSUs during the year from January 1, 2023 to December 31, 2023 granted under the RSU Scheme:

Names of RSU grantee	Date of grant	Closing price (HKD) of Shares		Granted during the year ⁽¹⁾	Fair value (HKD) of RSUs at the date of grant during the year	Vesting period ⁽³⁾	Number of Shares					Closing price (HKD) of Shares immediately before the vesting date during the year	
		Immediately before the date of grant during the year	Immediately after the date of grant during the year				As at January 1, 2023	Vested during the year	Cancelled during the year	Lapsed during the year	As at December 31, 2023		Exercise price of RSUs vested or cancelled during the year
Director of the Company													
Luo Xiaohui	January 21, 2022	-	-	-	-	January 21, 2023 - January 21, 2026	80,000	20,000	-	-	60,000	HKD0.01	26.50
	March 28, 2023	100,000	22.35	100,000	24.84	March 28, 2024 - March 28, 2027 ⁽³⁾	-	-	-	-	100,000	HKD0.01	-
Yao Zijijian	January 21, 2022	-	-	-	-	January 21, 2023 - January 21, 2026	120,000	30,000	-	-	90,000	HKD0.01	26.50
	March 28, 2023	200,000	22.35	200,000	24.84	March 28, 2024 - March 28, 2027 ⁽³⁾	-	-	-	-	200,000	HKD0.01	-
Other connected person of the Group													
Ren Yongbin	August 1, 2019	-	-	-	-	August 1, 2020 - August 1, 2023	20,000	20,000	-	-	-	USD1.62	19.00
Three directors of a subsidiary of the Company	January 21, 2022	-	-	-	-	January 21, 2023 - January 21, 2026	210,000	52,500	-	-	157,500	HKD0.01	26.50
	March 28, 2023	560,000	22.35	560,000	24.84	March 28, 2024 - March 28, 2027	-	-	-	-	560,000	HKD0.01	-
Other employee of the Group													
41 other employees of the Group	August 1, 2019	-	-	-	-	August 1, 2020 - August 1, 2023	749,000	714,000	-	35,000	-	USD1.62	19.00
6 other employees of the Group	January 7, 2021	-	-	-	-	July 1, 2021 - July 1, 2024	135,000	65,000	-	-	70,000	HKD16.64	17.50
60 other employees of the Group	January 21, 2022	-	-	-	-	January 24, 2023 - January 24, 2026	719,760	178,540	-	85,880	455,340	HKD0.01	26.50
162 other employees of the Group	March 28, 2023	7,291,565	22.35	7,291,565	24.84	May 8, 2023 - March 28, 2027	-	1,357,652	-	172,000	5,761,933	HKD0.01	21.70
Total				8,151,565			2,035,760	2,437,672	-	292,880	7,454,773		

DIRECTORS' REPORT

Notes:

- (1) Further details of the grants were set out in the Company's announcement dated March 28, 2023. The RSU Trustee will transfer the existing Shares purchased by the RSU Trustee directly to the RSU Grantees and no new Shares will be issued as a result of the grant of RSUs.
- (2) The exercise period of the RSUs is 15 years from their respective dates of grant.
- (3) Please refer to note 35(b) to the consolidated financial statements for the vesting schedules.

Details of movements in the RSUs under the RSU Scheme are also set out in note 35(b) to the consolidated financial statements. The RSU Participants shall serve the exercise notice within three (3) months after receiving the vesting notice.

On March 28, 2023, the Company granted a total of 8,151,565 RSUs pursuant to the RSU Scheme to a total of 167 RSU grantees. The RSUs granted represent 8,151,565 underlying Shares and approximately 1.8% of the issued share capital of the Company as at December 31, 2023. Upon each vesting date, the portion of the RSUs that vests shall depend on the RSU grantee meeting a specified threshold in their performance evaluations during the one-year period prior to each vesting date. The trustee of the RSU Scheme will transfer the Shares directly to the grantees and no new Shares will be issued as a result of the grant of RSUs. For further details, please refer to the Company's announcement dated March 29, 2023.

Save as disclosed above, for the year ended December 31, 2023 and up to the date of this annual report, no further RSUs have been or would be granted by the Company pursuant to the RSU Scheme.

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

Share Option Scheme

The Share Option Scheme was adopted at the extraordinary general meeting of the Company held on October 13, 2020. The Share Option Scheme was adopted before the new Chapter 17 of the Listing Rules coming into effect (effective from January 1, 2023). The Company will comply with the new Chapter 17 in accordance with the transitional arrangements for existing share schemes.

A summary of the share option scheme is as follows:

The purpose of the Share Option Scheme is to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The Share Option Scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company's corporate culture.

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of ten years after October 13, 2020 to grant options to any participants as the Board may in its absolute discretion select. As of December 31, 2023, the remaining life of the Share Option Scheme was approximately six years and nine and a half months. No offer shall be made and no option shall be granted to any participants in circumstances prohibited by the Listing Rules at a time when the participants would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period; and (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules, and ending on the date of actual publication of such results announcement.

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

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

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



DIRECTORS' REPORT

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

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

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

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

The table below sets out the movements of the share options of our Company during the year from January 1, 2023 to December 31, 2023 granted under the Share Option Scheme:

Name of grantee	Outstanding as at January 1, 2023	Granted during the year	Date of grant ⁽⁴⁾	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2023	Exercise price (HKD) immediately before exercising	Exercise price (HKD) per Share	Closing price (HKD) of Shares	Fair value (HKD) of share options at the date of grant during the year	Vesting period ⁽⁵⁾	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	-	-	178,750	2,867,250	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	-	-	4,500	1,142,500	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	-	-	79,500	887,500	25.56 ⁽³⁾	-	-	-	January 24, 2023 - January 24, 2026	January 21, 2022 - January 20, 2032
Total	5,560,000	-		-	-	262,750	5,297,250						

DIRECTORS' REPORT

Note:

- (1) Being the highest of (i) HKD44.20 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) HKD39.45 per Share, the average closing price of the Shares 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 HKD43.55.
- (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 closing price of the Shares 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) HKD24.7 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) HKD25.56 per Share, the average closing price of the Shares for the five business days immediately preceding the date on which the options were granted; 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) Please refer to note 35(a) to the consolidated financial statements for the vesting schedules.

As of December 31, 2023, the number of Shares in respect of which options had been granted and but not yet exercised under the Share Option Scheme was 5,297,250, representing 1.2% of the Shares in issue as of that date. As at January 1, 2023 and December 31, 2023, the total number of Shares available for issue in respect of the options that can be further granted under the Share Option Scheme was 37,060,507 and 37,323,257, respectively, representing 8.3% and 8.4% of the total number of Shares in issue as of the relevant dates, respectively. The total number of Shares available for issue under the Share Option Scheme was 42,620,507 Shares, representing 9.6% of the total number of issued Shares as of the date of this annual report.

For the year ended December 31, 2023 and up to the date of this annual report, no further options have been or would be granted by the Company pursuant to the Share Option Scheme.

Details of movements in the share options and the fair value of share options granted are set out in note 35(a) to the consolidated financial statements.

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.

Disclosure under Rule 17.07(3) of the Listing Rules

As all awards granted will be satisfied by existing Shares and no options were granted during the year ended December 31, 2023, no Shares may be issued in respect of options and awards granted under all schemes of the Company during the year ended December 31, 2023.

Directors

The Directors during the year ended December 31, 2023 and up to the date of this annual report were:

Name	Position/Title
Liu Yingqi (劉穎麒)	Executive Director, chief executive officer and chairman of the Board
Yao Zhijian (姚志堅)	Executive Director and chief financial officer
Luo Xiaohui (羅小輝)	Executive Director and chief architect
Mathias Nicolaus Schilling ^(Note)	Non-executive Director
Akio Tanaka (田中章雄)	Non-executive Director
Tam Bing Chung Benson (譚秉忠)	Independent non-executive Director
Yao Wei (姚衛)	Independent non-executive Director
Yang Tao (楊濤)	Independent non-executive Director

Note: With effect from June 5, 2023, Mr. Mathias Nicolaus Schilling retired as a non-executive Director.

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

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

Directors' Service Contracts and Letters of Appointment

Apart from Mr. Luo Xiaohui who entered into a service contract with our Company with effect from August 28, 2023, each of our executive Directors has entered into a service contract with our Company with effect from April 30, 2023. Save for Mr. Akio Tanaka to whom we issued letter of appointment with effect from August 28, 2023, we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors with effect from April 30, 2023. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors and each of our independent non-executive Directors are for an initial fixed term of three years commencing from the date of the respective service contracts or letters of appointment. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms.

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

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. Tam Bing Chung Benson, Mr. Yao Wei and Mr. Yang Tao), and the Company considers such Directors to be independent for the year ended December 31, 2023.

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

Save for the Contractual Arrangements, there was no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of its connected entity had a material interest, whether directly or indirectly, and there was no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries, subsisted at the end of, or at any time during the year ended December 31, 2023.

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

As at December 31, 2023, the interests and short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests of Directors and Chief Executives in the Shares

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%) ⁽⁴⁾
Mr. Liu Yingqi ⁽²⁾	Founder of a discretionary trust	160,383,670	35.96
Mr. Yao Zhijian	Beneficial owner	3,214,579	0.72
Mr. Luo Xiaohui	Beneficial owner	2,065,478	0.46
Mr. Akio Tanaka ⁽³⁾	Interest in controlled corporation	19,644,832	4.40

Notes:

- All interests stated are long positions including interests in underlying Shares.
- Creative Brocade International is owned as to (i) 99.9% by Brocade Creation Investment Limited, which is wholly-owned by Brocade Creation Limited, the holding vehicle used by Cantrust (Far East) Limited (the trustee of the Brocade Creation Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu Yingqi. The Brocade Creation Trust is a discretionary trust established by Mr. Liu Yingqi (as the settlor) and the discretionary beneficiary is Mr. Liu Yingqi. Therefore, each of Mr. Liu Yingqi, Cantrust (Far East) Limited, Brocade Creation Limited and Brocade Creation Investment Limited is deemed under the SFO to be interested in the 160,383,670 Shares held by Creative Brocade International.
- Each of IVP Fund II A, L.P. and IVP Fund II B, L.P. held 12,868,084 Shares and 6,776,748 Shares, respectively. Mr. Akio Tanaka held the entire issued share capital of Growth Tree Ltd which in turn held 100% of the total issued share capital in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P. Therefore, each of Growth Tree Ltd and Mr. Akio Tanaka is deemed under the SFO to be interested in the 12,868,084 Shares and 6,776,748 Shares held by IVP Fund II A, L.P. and IVP Fund II B, L.P., respectively.
- The percentage represents the number of shares interested divided by the total number of ordinary shares of the Company in issue as at December 31, 2023, i.e. 445,992,842.

DIRECTORS' REPORT

Interests of Directors and Chief Executives in the Underlying Shares

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%) ⁽²⁾
Mr. Liu Yingqi ⁽³⁾	Founder of a discretionary trust	672,907	0.15
Mr. Yao Zhijian	Beneficial owner	300,000	0.07
Mr. Luo Xiaohui	Beneficial owner	100,000	0.02

Notes:

- All interests stated are long positions.
- The percentage represents the number of shares interested divided by the total number of ordinary shares of the Company in issue as at December 31, 2023, i.e. 445,992,842.
- Creative Brocade International holds convertible bonds in the principal amount of USD2,000,000, which can be converted into 672,907 Shares at an initial conversion price of HK\$23.32 per share. Therefore, each of Mr. Liu Yingqi, Cantrust (Far East) Limited, Brocade Creation Limited and Brocade Creation Investment Limited is deemed under the SFO to be interested in the the 672,907 Shares underlying the convertible bonds held by Creative Brocade International.

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

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

Interests of Directors and Chief Executives in the Debentures

Name of Director/ chief executive	Capacity/ Nature of interest	Amount of debenture held	Amount of debenture in same class in issue
Mr. Liu Yingqi ⁽¹⁾	Founder of a discretionary trust	2,000,000	70,000,000

Note:

- Creative Brocade International holds the 6.25% Convertible Bonds Due 2027 in the principal amount of USD2,000,000. Therefore, each of Mr. Liu Yingqi, Cantrust (Far East) Limited, Brocade Creation Limited and Brocade Creation Investment Limited is deemed under the SFO to be interested in the USD2,000,000 convertible bonds held by Creative Brocade International.

Save as disclosed above, as at December 31, 2023, no Directors or chief executives of the Company had or was deemed to have an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2023, to the best knowledge of the Directors, the following persons, other than Directors and chief executives of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

Interests of Substantial Shareholders in the Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%) ⁽⁶⁾
Creative Brocade International Limited ⁽²⁾⁽³⁾	Beneficial owner	160,383,670 (L)	35.96
Brocade Creation Investment Limited ⁽²⁾⁽³⁾	Interest in controlled corporation	160,383,670 (L)	35.96
Cantrust (Far East) Limited ⁽²⁾⁽³⁾	Trustee of a trust	160,383,670 (L)	35.96
Brocade Creation Limited ⁽²⁾⁽³⁾	Interest in controlled corporation	160,383,670 (L)	35.96
Ms. Luo Haiying ⁽⁴⁾	Interest of Spouse	160,383,670 (L)	35.96
Recruit Holdings Co., Ltd	Beneficial owner	30,051,196 (L)	6.74
JPMorgan Chase & Co.	Interest in controlled corporation	32,179,608 (L)	7.22
	Person having a security interest in shares	31,950,941 (S) 9,723,511 (L)	7.16 2.18
	Approved lending agent	742,904 (P)	0.17
TMF Trust (HK) Limited ⁽⁵⁾	Trustee of a trust	75,985,894 (L)	17.04

DIRECTORS' REPORT

Notes:

1. (L) denotes long position; (S) denotes short positions; (P) denotes lending pool.
2. Creative Brocade International is owned as to (i) 99.9% by Brocade Creation Investment Limited, which is wholly-owned by Brocade Creation Limited, the holding vehicle used by Cantrust (Far East) Limited (the trustee of the Brocade Creation Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu Yingqi. The Brocade Creation Trust is a discretionary trust established by Mr. Liu Yingqi (as the settlor) and the discretionary beneficiary is Mr. Liu Yingqi. Therefore, each of Mr. Liu Yingqi, Cantrust (Far East) Limited, Brocade Creation Limited and Brocade Creation Investment Limited is deemed under the SFO to be interested in the 160,383,670 Shares or underlying Shares held by Creative Brocade International.
3. In total, Creative Brocade International holds convertible bonds in the principal amount of USD2,000,000, which can be converted into 672,907 Shares at an initial conversion price of HK\$23.32 per share. Therefore, each of Mr. Liu Yingqi, Cantrust (Far East) Limited, Brocade Creation Limited and Brocade Creation Investment Limited is deemed under the SFO to be interested in the the 672,907 Shares underlying the convertible bonds held by Creative Brocade International.
4. Ms. Luo Haiying, the spouse of Mr. Liu Yingqi, is deemed under the SFO to be interested in the 160,383,670 Shares or underlying Shares in which Mr. Liu Yingqi is deemed to be interested.
5. TMF Trust (HK) Limited directly holds the entire issued share capital of each of RSU Nominee 1 and RSU Nominee 2. RSU Nominee 1 and RSU Nominee 2 hold 48,812,322 and 27,173,572 underlying Shares in respect of the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme. Therefore, TMF Trust (HK) Limited is deemed under the SFO to be interest in the 48,812,322 and 27,173,572 Shares held by RSU Nominee 1 and RSU Nominee 2, respectively.
6. The percentage represents the number of shares interested divided by the total number of ordinary shares of the Company in issue as at December 31, 2023, i.e. 445,992,842.

Save as disclosed above, as at December 31, 2023, to the best knowledge of the Directors, no other persons (not being Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2023.

Pre-Emptive Rights

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

Tax Relief and Exemption

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

Emolument Policy

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

Employee Benefits

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

Pursuant to code provision E.1.5 of Part 2 of the CG Code, the annual remuneration (excluding equity-settled share expenses) of the senior management (including members of senior management who are also executive Directors) by band for the year ended December 31, 2023 is set out below:

Band	Remuneration	Number of senior management
1	RMB0 to RMB1,000,000	1
2	RMB1,000,001 to RMB1,500,000	1 ⁽¹⁾
3	RMB1,500,001 to RMB2,000,000	2 ⁽²⁾
4	RMB2,000,001 to RMB2,500,000	0
5	RMB2,500,001 to RMB3,000,000	0

Notes:

(1) Band 2 includes 1 executive Director.

(2) Band 3 includes 2 executive Director.

DIRECTORS' REPORT

Public Float

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

Rights to Acquire the Company's Securities and Equity-Linked Agreements

Issue of US\$70 Million 6.25% Convertible Bonds Due 2027

On July 4, 2022, the Company and J.P. Morgan Securities plc and Credit Suisse (Hong Kong) Limited as the joint global coordinators, joint bookrunners and joint lead managers (the “**Managers**”) entered into a subscription agreement, pursuant to which and subject to certain conditions contained therein, the Company has agreed to issue, and the Managers have agreed to severally and not jointly subscribe and pay for, or to procure subscribers to subscribe and pay for, the 6.25% convertible bonds in a principal amount of US\$70 million.

The issue price of the Convertible Bonds was 100% of the principal amount. The initial conversion price per conversion share is HK\$23.32, which represents (i) a premium of 4.11% over the last closing price of HK\$22.40 per Share as quoted on the Stock Exchange on July 4, 2022 (being the trading day on which the subscription agreement was signed) and (ii) a premium of approximately 0.91% over the average closing price of HK\$23.11 as quoted on the Stock Exchange for the five consecutive trading days up to and including July 4, 2022. On July 13, 2022, all of the conditions for the Convertible Bonds under the subscription agreement have been satisfied and/or waived and completion of the Convertible Bonds in the principal amount of US\$70 million took place. The Convertible Bonds were offered to no less than six independent placees (who are independent individual, corporate and/or institutional investors). Assuming full conversion of the July 2027 convertible bonds at the initial conversion price of HK\$23.32 per Share, the Convertible Bonds will be convertible into approximately 23,551,758 Shares. The Convertible Bonds were listed on the Stock Exchange on July 14, 2022. The net proceeds from the offering of the Convertible Bonds were approximately US\$68.1 million. For details, please refer to note 34 to the consolidated financial statements.

Save as disclosed in this section and under the section headed “Restricted Share Unit Scheme and Share Option Scheme” in this directors’ report, at no time during the year ended December 31, 2023 was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate. Save as disclosed in this section, the Company did not enter into any equity-linked agreement.

Directors’ Interests in Competing Business

During the year ended December 31, 2023, none of the Directors have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

Permitted Indemnity Provision

Every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Act, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability. Such provisions were in force throughout the year ended December 31, 2023 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

Use of Proceeds from Convertible Bonds

In July 2022, the Company issued US\$70 million 6.25% convertible bonds due 2027. 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. Details of the Group's use of proceeds from the issuance of Convertible Bonds as at December 31, 2023 are set out in the section headed "Management Discussion and Analysis — Use of Proceeds from Convertible Bonds" in this annual report.

Connected Transactions

Continuing Connected Transactions

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

Contractual Arrangements

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

Reasons for the Contractual Arrangements

As advised by our PRC Legal Advisors, the value-added telecommunication services, payment services business and micro - credit business of our Group (the “**Relevant Businesses**”) are subject to foreign investment restrictions in the PRC. Accordingly, our Company could not hold a shareholding interest in the PRC Consolidated Entities, which hold the licenses and approval required for the Relevant Businesses. In order for our Company, as a foreign investor, to maintain its business operations while complying with the PRC laws and regulations, we, through Yeahka WFOE, have entered into a set of contractual arrangements (the “**Previous Contractual Arrangements**”) with Shenzhen Yeahka and the then registered shareholders in 2012 and 2013. The Previous Contractual Arrangements allowed our Company to exercise control over the business operation of Shenzhen Yeahka and enjoy all the economic interests derived therefrom. In preparation for the Listing and upon the completion of the Reorganization, Yeahka WFOE, Shenzhen Yeahka and the Registered Shareholders entered into the Contractual Arrangements on October 29, 2019, which superseded the Previous Contractual Arrangements.

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

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

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

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

Summary of Major Terms of the Contractual Arrangements

The Contractual Arrangements which were in place during the year ended December 31, 2023 and a brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

Exclusive Business Cooperation Agreement

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

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

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

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

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

Exclusive Option Agreement

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

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

Equity Pledge Agreement

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

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

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

Powers of Attorney

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

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

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

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

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

Loan Agreement

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

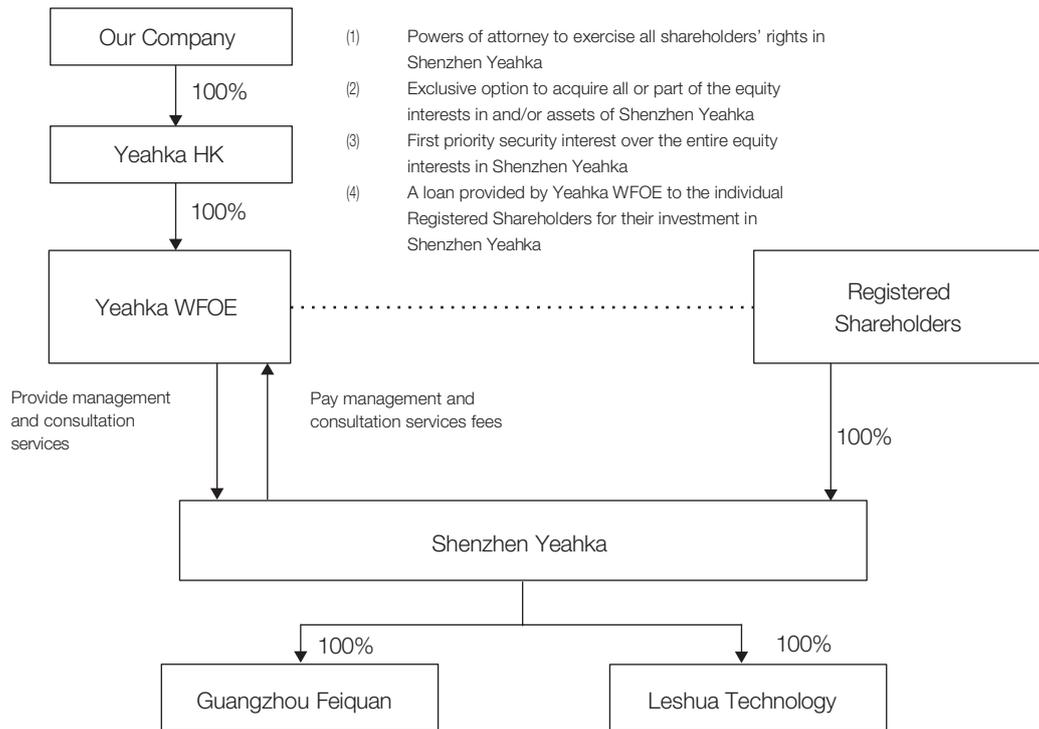
The term of the Loan Agreement commenced on the date of entering into the Loan Agreement and shall be terminated when Yeahka WFOE exercises its exclusive option to acquire, or designate one or more persons to acquire, from the individual Registered Shareholders any or all their equity interests then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

Spouse Undertakings

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

- (i) each spouse confirmed and agreed that the respective individual Registered Shareholder's existing and future equity interests in Shenzhen Yeahka (together with any other interests therein) are separate properties of the individual Registered Shareholder and do not fall within the scope of communal properties of such individual Registered Shareholder and his spouse; the respective individual Registered Shareholder is entitled to deal with his own equity interests and any interests therein in Shenzhen Yeahka in accordance with the Contractual Arrangements. The spouse of each of the individual Registered Shareholder confirmed that she will fully assist with the performance of the Contractual Arrangements at any time;
- (ii) each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets; and she has not and does not intend to participate in the operation and management or other voting matters of Shenzhen Yeahka;
- (iii) each spouse confirmed that the respective individual Registered Shareholder may further amend or terminate the Contractual Arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; and
- (iv) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of Contractual Arrangements as amended from time to time.

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



Save as disclosed above, there are no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the PRC Consolidated Entities during the year ended December 31, 2023. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2023.

For the year ended December 31, 2023, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

As at December 31, 2023, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Consolidated Entities under the Contractual Arrangements.

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

The aggregate revenue of Shenzhen Yeahka and its subsidiaries amounted to RMB3,743 million for the year ended December 31, 2023. For the year ended December 31, 2023, the revenue of Shenzhen Yeahka and its subsidiaries accounted for approximately 94.74% of the revenue for the year of the Group.

The aggregate asset of Shenzhen Yeahka and its subsidiaries amounted to approximately RMB6,216 million for the year ended December 31, 2023 which accounted for approximately 73.82% of the total asset for the year of the Group.

Risks relating to the Contractual Arrangements

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

- If the PRC Government finds that the Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Consolidated Entities.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our PRC Consolidated Entities may fail to perform their obligations under our Contractual Arrangements.
- We may lose the ability to use and enjoy assets held by our PRC Consolidated Entities that are material to our business operations if our PRC Consolidated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- The Registered Shareholders of Shenzhen Yeahka may have conflicts of interest with us, which may materially and adversely affect our business.
- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.
- If we exercise the option to acquire equity ownership and assets of our PRC Consolidated Entities, the ownership or asset transfer may subject us to substantial costs.

Mitigation Actions Taken by the Company

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

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

- major issues arising from the implementation of and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- our Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and
- our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of Yeahka WFOE and the PRC Consolidated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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

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

Listing Rule Implications

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

Waiver from the Stock Exchange

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

- (a) no change without independent non-executive Directors' approval;
- (b) no change without independent Shareholders' approval;
- (c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Consolidated Entities;
- (d) the Contractual Arrangements may be renewed and/or reproduced upon expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and
- (e) we will disclose details of the Contractual Arrangements on an ongoing basis.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that: (a) the transactions carried out during the year ended December 31, 2023 had been entered into in accordance with the relevant provisions of the Contractual Arrangements; (b) no dividends or other distributions had been made by the PRC Consolidated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group; (c) no new contracts had been entered into, renewed and/or reproduced between the Group and the PRC Consolidated Entities during the year ended December 31, 2023; and (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Confirmation from the Auditor

The auditor conducted an engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. The auditor has planned and performed their work to obtain limited assurance for giving conclusion below:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company’s board of directors.
- b. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- c. with respect of the disclosed continuing connected transactions with between Yeahka WFOE and the PRC Consolidated Entities under the contractual arrangements, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Consolidated Entities to the holders of the equity interests of the PRC Consolidated Entities which are not otherwise subsequently assigned or transferred to the Group.

Other Connected Transactions

The Group entered into certain transactions with “related parties” as defined under applicable accounting standards during the financial year ended 31 December 2023 which were disclosed in Note 38 to the consolidated financial statements. No related parties transactions disclosed in the consolidated financial statements (a) constitutes a connected transaction as defined under Chapter 14A of the Listing Rules or (b) not being fully exempt from the connected transaction requirements under Chapter 14A of the Listing Rules.

Annual General Meeting

The AGM will be held on Wednesday, June 5, 2024. A notice convening the AGM and all other relevant documents will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

DIRECTORS' REPORT

Closure of Register of Members

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Friday, May 31, 2024 to Wednesday, June 5, 2024, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, May 30, 2024.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 69 to 93 of this annual report.

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's auditing, risk management, internal controls and financial reporting matters with the management. The Audit Committee, together with the the Auditor, has also reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2023.

Auditor

The financial statements for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

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

On behalf of the Board

Liu Yingqi

Chairman

March 21, 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the purpose of inclusion in the Company's annual report for the year ended December 31, 2023 (the "Year").

Corporate Purpose, Value, Strategy and Culture

The Company is a leading payment-based technology platform, which continuously creates value for merchants and consumers since its establishment.

Innovation

We believe that only continuous innovation and breakthroughs in technology, products, and services with forward-thinking can create more value for merchants and make life more convenience.

Integrity

We insist on integrity and trustworthiness, which is the standard of establishing long-term and mutually beneficial relations with colleagues internally and users, business partners, investors and other parties externally.

Enterprise

We have the ambition to strive for progress and improvement, driving us to perfect technology and enhance services continuously to achieve sustainable development, exceed expectations and meet demand.

Responsibility

We have the courage to shoulder responsibility and focus on the big picture instead of personal or short-term interests. When facing difficulties and challenges, we will embrace them, stay positive, strive for the best results and excel ourselves.

Compliance with the CG Code

The Company is committed to maintaining and implementing strict corporate governance. The principles of the Company's corporate governance are to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of its business, to ensure compliance with applicable laws and regulations in its business and operations, and to enhance transparency and the accountability of the Board to all Shareholders. The Company's Corporate Governance Code is based on the principles and code provisions prescribed in the CG Code as set out in Appendix C1 to the Listing Rules. The Board is of the view that for the year ended December 31, 2023, the Company has complied with the majority of the code provisions as set out in the CG Code, with the exception of deviations from code provision C.2.1 of Part 2 as explained in this Corporate Governance report.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is collectively responsible for performing the corporate governance functions set out in code provision A.2.1 of Part 2 of the CG Code, including at least the following:

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Group's code of conduct for Directors in securities transactions. After making specific inquiries of all Directors of the Company, all Directors have confirmed that they have strictly complied with the Model Code for the year ended December 31, 2023.

The Board has also adopted written guidelines (the "**Employees' Written Guidelines**") no less exacting than the Model Code to regulate all securities dealings by relevant employees who are likely to possess inside information in relation to the Company or its securities because of his/her office or employment in the Group as referred to in code provision C.1.3 of Part 2 of the CG Code. For the year ended December 31, 2023 and as at the date of this annual report, no incidents of non-compliance with the Employees' Written Guidelines have been found by relevant employees of the Company after reasonable inquiries.

The Board

Responsibility

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

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

Delegation of Management Functions

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

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

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

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

CORPORATE GOVERNANCE REPORT

Structure of the Board

As at the date of this annual report, the Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The list of the Board members and their positions are set out below.

Executive Directors:

Mr. Liu Yingqi (Chairman of the Board and Chief Executive Officer)
Mr. Yao Zhijian (Chief Financial Officer)
Mr. Luo Xiaohui (Chief Architect)

Non-executive Directors:

Mr. Mathias Nicolaus Schilling (retired on June 5, 2023)
Mr. Akio Tanaka

Independent Non-executive Directors:

Mr. Tam Bing Chung Benson
Mr. Yao Wei
Mr. Yang Tao

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

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

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

Chairman and Chief Executive Officer

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

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

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

Independent Non-Executive Directors

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

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

Appointment and Re-Election of Directors

Code provision B.2.2 of Part 2 of the CG Code states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The procedures and process of appointment, re-election and removal of Directors are contained in the Memorandum and the Articles of Association.

Each of the executive Directors, Mr. Liu Yingqi, Mr. Yao Zhijian and Mr. Luo Xiaohui, have signed service contracts with the Company. The term for Mr. Liu Yingqi and Mr. Yao Zhijian is three years from April 30, 2023, while the term for Mr. Luo Xiaohui is three years from August 28, 2023. The service contract may be terminated in accordance with its terms.

Each of the non-executive Directors and the independent non-executive Directors have signed the letters of appointment with the Company. The terms and conditions of respective letters of appointment are similar in all material aspects. Each of the non-executive Directors and the independent non-executive Directors have been appointed for a term of three years from April 30, 2023, except for Mr. Akio Tanaka whose term is three years from August 28, 2023. The letter of appointment may be terminated in accordance with its terms.

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

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

CORPORATE GOVERNANCE REPORT

Board Meeting and General Meeting

For the year ended December 31, 2023, the Company held four Board meetings. At the Board meetings, the Board discussed a broad range of matters, including the Group's overall strategy, business prospect, financial and operating performance, review of the Group's annual and interim results announcements and reports, regulatory compliance, corporate governance, and other significant matters. The Company will fully comply with the requirement under code provision C.5.1 of Part 2 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals, and the relevant meetings will have a majority of Directors attending in person or actively participating by electronic communication.

For the year ended December 31, 2023, the Company held one annual general meeting.

For the year ended December 31, 2023, the attendance of each Director at the Board meetings and the annual general meeting is set out below:

Director name	Number of Board meetings attended in person/Number of Board meetings	Number of Board meetings attended by entrusting other Directors/ Number of Board meetings	Attendance rate in person for Board meetings	Number of annual general meeting attended in person/ Number of annual general meeting	Attendance rate in person for annual general meeting
Executive Directors:					
Mr. Liu Yingqi	4/4	0/4	100%	1/1	100%
Mr. Yao Zhijian	4/4	0/4	100%	1/1	100%
Mr. Luo Xiaohui	4/4	0/4	100%	1/1	100%
Non-executive Directors:					
Mr. Mathias Nicolaus Schilling (retired on June 5, 2023)	1/1 ^{Note (1)}	0/4	100%	0/1	0%
Mr. Akio Tanaka	4/4	0/4	100%	0/1	0%
Independent Non-executive Directors:					
Mr. Tam Bing Chung Benson	4/4	0/4	100%	0/1	0%
Mr. Yao Wei	4/4	0/4	100%	1/1	100%
Mr. Yang Tao	4/4	0/4	100%	0/1	0%

Note (1): Mr. Mathias Nicolaus Schilling retired on June 5, 2023. Before Mr. Mathias Nicolaus Schilling resigned, the Company convened one Board meetings during the Year.



CORPORATE GOVERNANCE REPORT

In addition to the regular Board meetings, during the year ended December 31, 2023, the Chairman also held a meeting with independent non-executive Directors without the attendance of other Directors.

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

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

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

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

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

Directors' Training and Continuous Professional Development

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

For the year ended December 31, 2023, the Company has provided Directors with the training seminars and relevant materials, including key disclosure obligations set out in the Listing Rules, responsibilities and obligations set out in the Listing Rules — corporate governance functions and codes, personal interests of directors, compliance requirements under share option or incentive schemes, recent disciplinary actions by the Stock Exchange and disciplinary actions by the Securities and Futures Commission.

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

Director name	Attending or participating in relevant seminars/ Reading relevant materials
Executive Directors:	
Mr. Liu Yingqi	✓
Mr. Yao Zhijian	✓
Mr. Luo Xiaohui	✓
Non-executive Directors:	
Mr. Mathias Nicolaus Schilling (retired on June 5, 2023)	Not applicable ⁽¹⁾
Mr. Akio Tanaka	✓
Independent Non-executive Directors:	
Mr. Tam Bing Chung Benson	✓
Mr. Yao Wei	✓
Mr. Yang Tao	✓

Note (1): The Company did not arrange directors' training seminars or provide relevant reading materials to Mr. Mathias Nicolaus Schilling during the Year before his retirement.

CORPORATE GOVERNANCE REPORT

Board Secretary

Mr. Lai Chun Tat Derek is our Board secretary. Mr. Lai joined Yeahka as Finance Director in 2019. Prior to joining Yeahka, he has served more than 10 years in the audit division of PricewaterhouseCoopers. Mr. Lai received a bachelor degree in business administration from University of Wisconsin-Madison and a master degree in accounting from Curtin University of Technology. Mr. Lai is also a Chartered Financial Analyst (CFA) and a member of Hong Kong Institute of Certified Public Accountants (HKICPA).

Board Committees

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

Audit Committee

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

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

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yao Wei (Chairman), Mr. Tam Bing Chung Benson and Mr. Yang Tao (with Mr. Yao Wei and Mr. Yang Tao possessing the appropriate professional qualifications and accounting and related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's current external auditor.

According to the written terms of reference for the Audit Committee, the committee shall hold at least two meetings in each financial year.

CORPORATE GOVERNANCE REPORT

During the Year, the Company held two meetings of the Audit Committee to do the following work: (i) review and discuss the report to the Audit Committee prepared by the auditor, PricewaterhouseCoopers, and the matters the Audit Committee should pay attention to as recommended by the auditor, including any material concerns raised to the management in relation to accounting records, financial statements or internal control systems and the management's responses; (ii) review and discuss the Report of the Risk Management and Internal Control Systems and review the risk management and internal control systems of the Group and, if appropriate, make recommendations to the Board on the following matters: (a) to review and discuss the Report of the Risk Management and Internal Control Systems of the Group; (b) review the effectiveness of financial controls, risk management and internal control systems of the Group; and (c) review the adequacy of resources of the accounting and financial reporting function of the Group, staff qualifications and experience, and review staff training programs and relevant budget; (iii) review and discuss the draft of audited consolidated financial statements, of the annual results announcement and of the annual report of the Group for the year ended December 31, 2022 and, if appropriate, make recommendations to the Board; (iv) review and discuss the draft of letter of representation prepared by the auditor, PricewaterhouseCoopers and make recommendations to the Board; (v) consider and make recommendations to the Board on the re-appointment of PricewaterhouseCoopers as the Company's independent external auditor for a term until the conclusion of the next annual general meeting of the Company; (vi) review and discuss the draft of unaudited interim consolidated financial statements, of the interim results announcement and of the interim report of the Group for the six months ended June 30, 2023 and, if appropriate, make recommendations to the Board; and (vii) review and discuss the Pre-licensing Policy for Non-authentication Services drafted by the management and make recommendations to the Board.

Name of committee member	Number of attendance/Number of meetings
Mr. Yao Wei	2/2
Mr. Tam Bing Chung Benson	2/2
Mr. Yang Tao	2/2

The Audit Committee held a meeting on March 27, 2023, at which the Audit Committee reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters, including the review of the audited consolidated financial statements of the Company for the year ended December 31, 2022. The Audit Committee is of the opinion that the preparation of the relevant financial statements has complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Company has set up a Remuneration Committee with written terms of reference in accordance with the CG Code. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The main duties of the Remuneration Committee include (i) making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) formulating policies for the remuneration of executive Directors, evaluating the performance of executive Directors and approving the terms of service contracts of executive Directors; (iii) reviewing and approving the remuneration proposals of management in light of the corporate goals and objectives set by the Board; (iv) recommending to the Board the remuneration packages of individual executive Directors and senior management (i.e. adopting the model set out in code provision E.1.2(c)(ii) of Part 2 of the CG Code); and (v) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules (see Rule 17.07A of the Listing Rules).

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

During the Year, the Remuneration Committee held one meeting and its main tasks included: (i) reviewing the remuneration policy and structure of the Board and senior management of the Company; (ii) reviewing and making recommendations to the Board on the remuneration packages of each of the executive Directors and senior management for the year 2022 and recommendations to the Board; (iii) reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules, including any share options or share awards granted to Directors or senior management, and the relevant disclosure and explanation as to whether the approval of such significant matters, if any, is appropriate in the corporate governance report; and (iv) reviewing and approving the grant of RSUs to the Directors and senior management for the year 2023.

The attendance records of the Remuneration Committee meeting are set out in the table below:

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

Nomination Committee

The Company has set up a Nomination Committee with written terms of reference in accordance with the CG Code. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company. The main duties of the Nomination Committee include (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) establishing policies for the selection and nomination of Directors and procedures for identifying suitably qualified Directors for consideration by the Board and implementing the relevant approved plans and procedures; (iii) identifying and advising the Board on the selection and nomination of individuals suitably qualified to become Directors; (iv) ensuring that the Board and Shareholders are provided with sufficient biographical details of the nominated candidates to enable them to make a decision on the selection of Board members; (v) assessing the independence of independent non-executive Directors; (vi) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman and chief executive); and (vii) developing a whistleblowing policy and system whereby employees and persons dealing with the Company can raise concerns in confidence about possible improprieties in any matter relating to the Company.

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

During the Year, the Nomination Committee held one meeting and its main tasks included: (i) reviewing the structure, size and composition of the Board; (ii) assessing the independence of the independent non-executive Directors; (iii) considering the retirement and re-election of Directors at the AGM, and (iv) reviewing the Board Diversity Policy, measurable objectives and progress on achieving the objectives, and making recommendations to the Board.

The attendance records of the Nomination Committee meetings are set out in the table below:

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

CORPORATE GOVERNANCE REPORT

Environmental, Social and Governance Committee

The Company established ESG Committee on March 31, 2022 with written terms of reference in compliance with the CG Code. The terms of reference of the ESG Committee are available on the website of the Company.

The ESG Committee is mainly responsible for (i) reviewing and formulating the environmental, social and governance vision, objectives, strategies and structure of the Group, and providing recommendations to the Board to ensure compliance with legal and regulatory requirements; (ii) supervising, evaluating and reporting to the Board on the development and implementation of the Group's ESG vision, objectives, strategies and structure; (iii) reviewing key trends in ESG as well as related risks and opportunities, and assessing the adequacy and effectiveness of the Group's ESG structure; (iv) monitoring internal and external opinions on the Group's ESG practices to ensure that policies are in place to effectively promote the relationship between the Group and its stakeholders and protect the Group's reputation; (v) reviewing the Group's ESG report and other related ESG disclosures, and making relevant recommendations to the Board; and (vi) performing other duties and functions assigned to the ESG Committee by the Board from time to time.

ESG Committee comprises three members, including two executive Directors and one independent non-executive Director, namely Mr. Liu Yingqi, Mr. Yao Zhijian, and Mr. Yao Wei. Mr. Liu Yingqi is the chairman of the ESG committee.

During the Year, the ESG Committee held two meetings and its main tasks included (i) reviewing and discussing the ESG report for 2022, and making recommendations to the Board; (ii) reviewing and formulating the environmental, social and governance vision, objectives, strategies and structure of the Group, and providing recommendations to the Board to ensure compliance with legal and regulatory requirements; (iii) supervising, evaluating and reporting to the Board on the development of the Group's ESG vision, objectives, strategies and structure; (iv) reviewing key trends in ESG as well as related risks and opportunities, and assessing the adequacy and effectiveness of the Group's ESG structure; and (v) monitoring internal and external opinions on the Group's ESG practices to ensure that policies are in place to effectively promote the relationship between the Group and its stakeholders and protect the Group's reputation.

The attendance records of the ESG Committee meetings are set out in the table below:

Name of committee member	Number of attendance/Number of meetings
Mr. Liu Yingqi	2/2
Mr. Yao Zhijian	2/2
Mr. Yao Wei	2/2

Director Nomination Policy

According to the Company's Director nomination policy, the Nomination Committee shall recommend to the Board candidates for election as Directors (including independent non-executive Directors) in accordance with the following nomination procedures: (i) the Nomination Committee and/or the Board may solicit candidates for directorship through various means, including but not limited to internal promotion, transfer, recommendation by other members of management and by external recruitment agents; (ii) the Nomination Committee and/or the Board shall, upon receipt of a proposal for the appointment of a new Director and the candidate's personal information (or relevant details), evaluate the candidate to determine the suitability of the candidate to serve as a Director in accordance with the following criteria; (iii) the Nomination Committee shall then make appropriate recommendations to the Board for the appointment of a suitable person to the position of Director; and (iv) in respect of any person nominated by a Shareholder for election as a Director at a general meeting of the Company, the Nomination Committee and/or the Board shall evaluate such candidate in accordance with the following criteria to determine whether such candidate is suitable to become a Director. If appropriate, the Nomination Committee and/or the Board shall make a recommendation to the Shareholders regarding the proposal for the election of Directors at a general meeting of the Company.

In evaluating and selecting candidates for directorship, the Nomination Committee shall consider the following criteria: (i) character including integrity, honesty and impartiality; (ii) background and qualifications including professional qualifications, skills, knowledge and experience relevant to the Company's business operations and corporate strategy; (iii) commitment to understanding the Company and its industry, willingness to devote sufficient time to the duties of Board members and ability to assist the Board in performing its duties; (iv) requirement for the Board to have sufficient independent non-executive Directors in accordance with the Listing Rules and assessment of the independence of candidates; (v) the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for the purpose of diversifying the Board. Diversity of Board members shall be considered from a number of perspectives, including but not limited to gender, skills, age, cultural and educational background, industry experience, technical and professional experience and/or qualifications, knowledge, length of service and time to be devoted as a Director; and (vi) other factors relevant to the Company's business model and specific needs from time to time, and the contribution that the selected candidates shall bring to the Board.

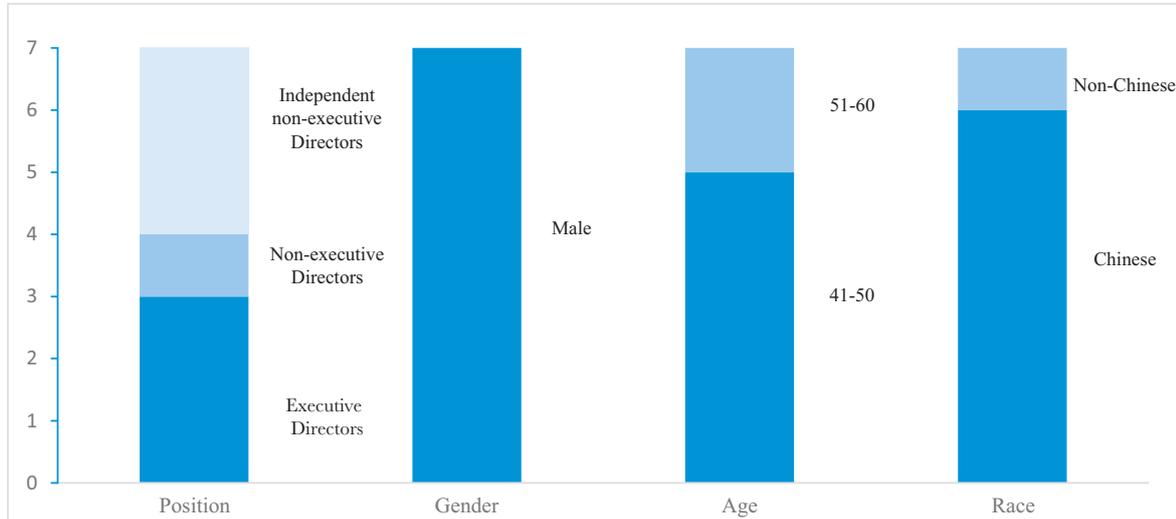
Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the objectives and methods for achieving and maintaining Board diversity to enhance Board effectiveness. The Board Diversity Policy requires the Company to make every effort to ensure that Board members have the balance of skills, experience and diversity required to execute its business strategies. In accordance with the Board Diversity Policy, we achieve board diversity by taking into account a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. The Board has delegated to the Nomination Committee the responsibility for compliance with the codes governing board diversity in the CG Code. The Nomination Committee reviews the Board Diversity Policy from time to time to ensure its continued effectiveness and we shall disclose the implementation of the Board Diversity Policy in our Corporate Governance Report on an annual basis.

The Board and the Nomination Committee of the Company have reviewed the Board Diversity Policy, measurable objectives, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service, and the progress on achieving the objectives on March 27, 2023. The Board considers that the Board Diversity Policy is effective and is satisfied with the measurable objectives and the progress on achieving the objectives.

As at December 31, 2023, the Board comprised seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The Directors have balanced experience in overall management and strategic development, business and risk management as well as finance and accounting. The Board members are of all ages, ranging from 41 to 60. The Board members are of diverse cultural and educational backgrounds, as well as ethnicity. After due consideration, the Board believes that the Company's Board, which is comprised of Directors with elite management skills, has met its measurable objectives and is consistent with the Board Diversity Policy. Despite that the Board is only comprised of male members currently, the Board plans to appoint at least one female Board member no later than December 31, 2024 in line with its diversity policy. The Board may identify and select suitable female Board members or successors from various sources, including but not limited to internal promotion, recommendation from Board members and external recruitment.

The following chart shows the diversity profile of the Board as at December 31, 2023:



As at December 31, 2023, male employees accounted for 72% and female employees accounted for 28% of all employees (including senior management) of the Group. To achieve gender diversity, we are committed to creating favorable conditions in our working environment to attract more women to join the Group, and thus increase the proportion of female employees (including senior management) year by year, making us a gender-balanced company. The gender balance scheme includes hiring and promoting more women to hold senior management positions based on the qualifications, experience and skills required for those positions. In addition, we may face the issue of whether the supply of female personnel in the human resources market matches the academic qualifications, experience and skills required for positions within the Group. Despite these challenges, we are still moving towards gender balance.

Mechanism for the Board to Obtain Independent Views and Opinions

The Board has adopted the “Mechanism for the Board to Obtain Independent Views and Opinions”, which clarifies the procedures and channels for Directors to seek advice from external professional consultants and obtain information, as well as the qualifications, number and time contributed by independent non-executive Directors to ensure independent views and opinions available to the Board. The Board will also review the implementation and effectiveness of this mechanism on a yearly basis.

On March 27, 2023, the Board reviewed the implementation and effectiveness of the mechanism. The Board considers that the “Mechanism for the Board to Obtain Independent Views and Opinions” is effective.

CORPORATE GOVERNANCE REPORT

Company Secretary

Ms. Mak Po Man Cherie of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been appointed as the company secretary by the Company with effect from the Listing Date. During Ms. Mak's term of office, Mr. Yao Zhijian, an executive Director, shall be the principal liaison between the Company and Ms. Mak. Ms. Mak reports to the Chairman of the Board and is responsible for advising the Board on corporate governance matters to ensure that the Board procedures and all applicable laws, rules and regulations are complied with.

During the year ended December 31, 2023, Ms. Mak received not less than 15 hours of relevant professional training.

Dividend Policy

In accordance with code provision F.1.1 of Part 2 of the CG Code, the Company has adopted a dividend policy for the purpose of setting out the principles and guidelines to be applied by the Company in relation to the declaration, payment or distribution of dividends of Shareholders on the net profit of the Company.

The policy adopted by the Board is that the Company shall maintain sufficient cash reserves to meet its working capital requirements, future growth and the value of its Shareholders when proposing or declaring dividends. The Company does not have any pre-determined dividend payout ratio. Subject to the Articles of Association and all applicable laws and regulations and the factors set out below, the Board may, at its discretion, declare and distribute dividends to the Shareholders of the Company.

In considering the declaration and payment of dividends, the Board shall also take into account the following factors in relation to the Group, including financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on the payment of dividends and any other factors that the Board may deem as relevant.

Depending on the financial position of the Company and the Group and the above conditions and factors, the Board may recommend and/or declare the following dividends for a particular financial year or period, including interim dividends, final dividends, special dividends, and any distribution of net profits as the Board may consider appropriate. Any final dividend in respect of a fiscal year shall be subject to approval by the Shareholders. Dividends may be declared and paid by the Company in cash, scrip dividends or in such other manner as the Board of Directors may consider appropriate. Any unclaimed dividend shall be forfeited and shall revert to the Company in accordance with the provisions of the Articles of Association. The Board shall review the dividend policy from time to time as appropriate.

Directors' and Senior Management's Liability Insurance

The Company has purchased insurance coverage for all Directors and members of senior management to minimize the risks they may incur in the normal course of performing their duties. The Board reviews the relevant insurance coverage annually.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for the year ended December 31, 2023.

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

The management has provided the Board with such explanations and information necessary to enable the Board to make an informed assessment of the Company's financial statements presented for the Board's approval. The management provides monthly updates to all Board members on the Company's performance, condition and prospects.

A statement by the Company's independent auditor regarding its reporting responsibilities on the Company's consolidated financial statements for the year ended December 31, 2023 is included in the "Independent Auditor's Report" section of this annual report.

External Auditor and Auditor Remuneration

The total fees paid/payable for audit and non-audit services provided by PricewaterhouseCoopers, the Company's external auditor, excluding disbursements in lieu of expenses, for the year ended 31 December 2023 are set out in the table below:

Services provided	Fees paid/payable (RMB)
Audit service	6,400
Non-audit service ^{Note (1)}	599

Note (1): Non-audit service mainly includes consulting service.

PricewaterhouseCoopers shall be invited to attend the AGM to answer questions about the audit, the preparation and content of the auditor's report, accounting policies and auditor independence.

Risk Management and Internal Control

The Board considers that appropriate and effective risk management and internal control systems are an important safeguard for the achievement of the Company's strategic objectives, and confirms its responsibility for the review of the Company's risk management and internal control systems and their effectiveness. The management shall be responsible for implementing the Board's risk management and internal control policies and procedures, designing, implementing and monitoring the risk management and internal control systems, and confirming the effectiveness of such systems to the Board.

Good risk management and internal control systems are designed to manage, not eliminate, risks that may prevent the Company from achieving its business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. To this end, appropriate policies and procedures have been established and implemented to ensure that key risks that could affect the Company's performance are properly identified and managed, that the Company's assets are not used or disposed of without permission, that financial and accounting information is accurately recorded and maintained in accordance with relevant accounting standards and regulatory reporting requirements, and that all operations comply with relevant rules and regulations.

Risk Management and Internal Control Systems and Their Characteristics

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

To the extent authorized by the Board and the Audit Committee, the Company has established a Risk Management Committee and set up three lines of defense for the risk management and internal control systems to specifically perform the daily duties related to risk management and internal control:

Risk Management Committee

- It consists of the management of the Company and reports directly to the Board of Directors and the Audit Committee.
- It is responsible for organizing, planning, formulating and adjusting the Company's risk management strategy and its implementation mechanism, clarifying the division of labor and coordination mechanism for risk management in each department, and regularly reporting work related to risk management to the Board of Directors and the Audit Committee to supervise daily risk management activities and conduct regular review and disclosure of risk assessment and internal controls.

Three Lines of Defense for Risk Management and Internal Control Systems

- The first line of defense consists of the core business departments of the Company. As the first responsible organization for risk management, it is responsible for designing and implementing standards for daily business operation to manage various risks in the business processes.
- The second line of defense consists of risk control, policy development, finance and other supporting functions. It is responsible for designing, implementing and monitoring risk control, legal affairs, compliance and finance, and other management regulations, and assisting the first line of defense in risk management and control, timely discovery, capture, early warning and tracking of abnormal risk information from daily supervision.
- The third line of defense consists of the Internal Audit and Control Department, which is responsible for providing analysis and evaluation independent from the first and second lines of defense for the effectiveness of the Company's risk management and internal monitoring systems, and supervising their improvement and enhancement; as well as receiving reports and monitoring the handling of reported cases.

The Effectiveness of Risk Management and Internal Control Systems

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

During the year ended December 31, 2023, the Board received a confirmation from management on the effectiveness of the Group's risk management and internal control systems and completed a review of them and considered the Group's risk management and internal control systems effective and adequate. The Board has also completed a review of the adequacy of the resources, staff qualifications and experience, training programs and relevant budget of the Group's accounting, internal audit and financial reporting functions, and was satisfied with the results.

Disclosure of Inside Information

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

Investor Relations

Communication with Shareholders and Investors

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

The Company has adopted the Shareholders' Communication Policy on March 31, 2022, which sets out the Company's use of a number of mechanisms to provide effective and efficient communication to Shareholders, among which, (i) the Company publishes updated information and news on its business operations and development, financial information, corporate governance practices and other information for public access through the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yeahka.com) to facilitate effective communication, timely and objective provision of clear and complete information to Shareholders and investors; (ii) the Company is also committed to continuously strengthening the communication with the Shareholders' investment market, designating senior management of the Company to maintain regular dialogue with institutional investors and analysts, organizing various activities including briefings for investors/analysts, local and international tours, media interviews and investor promotion activities, as well as organizing/participating in industry thematic forums, so as to facilitate communication between the Company and its Shareholders and investors; and (iii) the Chairman of the general meeting will explain to the Shareholders the detailed procedures for voting by poll and answer any questions from the Shareholders in connection with voting by poll at the annual general meeting and other general meetings. At the annual general meeting, the Chairman of the Board, the Chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, or, in their absence, other members of each committee will also answer questions from Shareholders.

During the year ended December 31, 2023, the Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy. The Board believes that the diversified shareholders' communication channels provide Shareholders and investors with effective access to information about the Group, and that Shareholders can contact the Board directly and express their opinions on their own initiative through the following procedures of making inquiries to the Board. The Board, therefore, endorses the effectiveness of the Shareholders' Communication Policy.

Procedures for Making Enquiries to the Board

Shareholders who intend to make any enquiries to the Board of the Company may do so by writing to the Company. The Company does not normally deal with verbal or anonymous enquiries.

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

Postal address: 19/F A4 Building, Kexing Science Park,
15 Keyuan Road, Nanshan District, Shenzhen, China
(For the attention of Investor Relations Team)

E-mail address: ir@yeahka.com

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

Computershare Hong Kong Investor Services Limited

Address: 17M Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Telephone number: +852 2862 8555

Facsimile number: +852 2865 0990

Website: www.computershare.com/hk/contact

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Procedures for Shareholders to Put Forward Proposals at General Meetings

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

Procedures for Shareholders to Propose Persons for Election as Directors

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

Amendments to Constitutional Document

There have been no changes in the constitutional document of the Company during the Year. The Articles of Association are available on the websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Yeahka Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yeahka Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 105 to 229, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Revenue recognition of one-stop payment services
- Goodwill impairment assessment
- Fair value measurement of financial assets at fair value through profit or loss (“**FVPL**”)

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Revenue recognition of one-stop payment services

Refer to Note 6 to the consolidated financial statements.

For the year ended 31 December 2023, the Group recognized revenue of approximately RMB3,484,960,000 from provision of one-stop payment services to merchants for their acceptance of non-cash payments from consumers through connecting the merchants with the payment networks.

The one-stop payment services revenue is recognized at a point in time upon completion of the payment services for each transaction at an amount which is calculated based on the total payment value made by the consumers and the respective applicable service fee rates, net of interchange fees levied by various third party payment networks. The service fee rates are determined based on the agreements entered into between the Group and the merchants.

How our audit addressed the Key Audit Matter

Our procedures in relation to the recognition of one-stop payment services revenue mainly included:

- We examined, on a sample basis, the key terms and conditions of sales agreements entered into between the Group and the merchants, mainly including the service fee rates and the Group's performance obligations, and assessed the appropriateness of the Group's revenue recognition policies with reference to the requirements of the applicable accounting standards;
- We understood, evaluated, and tested the key controls in relation to the revenue recognition of one-stop payment services;
- We tested the information technology general controls and automated application controls of the information technology systems used in capturing and processing the payment service transactions;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

We focused on this area due to the large volume of the one-stop payment services revenue transactions to which significant audit resources are required to be allocated.

How our audit addressed the Key Audit Matter

- We tested, on a sample basis, the underlying data of the key reports generated from the Group's relevant information systems which support revenue recognition of one-stop payment services by (i) comparing the transaction payment records in the key reports capturing the fund flows through the relevant payment networks to the payment transaction reports provided by the respective payment networks; (ii) comparing the applicable service fee rates in the key reports to the service fee rates as set out in the sales agreements entered into between the Group with the merchants; and (iii) checking the mathematical accuracy of the calculation of the Group's one-stop payment services revenue recognized;
- We performed data analytics over payment transaction volume from the dimensions of distribution channels and merchants newly acquired during the year in order to identify unusual fluctuations or payment transactions.

Based on the above procedures, we found that the recognition of one-stop payment services revenue was supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Goodwill impairment assessment

Refer to Notes 4(g) and 17 to the consolidated financial statements.

As at 31 December 2023, the Group had goodwill with an aggregate carrying amount of approximately RMB439,117,000.

The Group engaged an external valuer to assist them in carrying out the goodwill impairment assessment. Goodwill impairment is assessed by comparing the recoverable amount of the respective cash generating unit (“**CGU**”) or a group of CGUs against the corresponding carrying amount of the CGU or a group of CGUs. Management determined the recoverable amount of the CGU or a group of CGUs based on the value-in-use (“**VIU**”), which is the present value of the future cash flows expected to be derived from the respective CGU or a group of CGUs. The goodwill impairment assessment involves significant judgments and estimates which include the adoption of appropriate valuation method and the use of key assumptions, including revenue growth rates and gross profit margins during the forecast period, terminal growth rates and pre-tax discount rates. Based on the results of the goodwill impairment assessment conducted, management considered no impairment charge needed to be provided for the year ended 31 December 2023.

How our audit addressed the Key Audit Matter

Our procedures in relation to goodwill impairment assessment included:

- We understood, evaluated, and tested management’s key controls in respect of the goodwill impairment assessment, including the determination of CGUs, the preparation of cash flow forecasts, assumptions used in the calculation of VIU and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors of the related accounting estimates;
- We assessed the competency, capabilities and objectivity of the external valuer engaged by the Group;
- We obtained the valuation report of goodwill impairment and assessed the appropriateness of the valuation method adopted by management with the involvement of our internal valuation experts;
- We compared management’s cash flow forecasts compiled in the prior year against the actual performance achieved in the current year to reconsider, with hindsight, whether there was management bias in prior year’s forecasts;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

We focused on this area due to that the goodwill impairment assessment involves significant judgments and estimates, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the goodwill impairment assessment is considered significant due to uncertainty of significant assumptions used.

How our audit addressed the Key Audit Matter

- We challenged and assessed the reasonableness of the key assumptions adopted in the cash flow forecasts, including revenue growth rates and gross profit margins during the forecast period, and terminal growth rates, taking into consideration the historical performance, the budgets and plans approved by management, and the industry forecasts and market developments;
- We evaluated the reasonableness of discount rates applied in the calculation of VIU with the involvement of our internal valuation experts by comparing them against the industry or market data to assess whether the discount rates applied were within the range of those adopted by comparable companies in the same industry; and
- We evaluated management's sensitivity analysis performed over the key assumptions adopted in the impairment assessment to assess the potential implications of changes in assumptions within a reasonable range on the results of the impairment assessment.

Based on the above procedures, we found the significant judgments and estimates applied in management's goodwill impairment assessment were supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Fair value measurement of financial assets at FVPL

Refer to Notes 3.3 and 20 to the consolidated financial statements.

As at 31 December 2023, the Group's financial assets at FVPL amounted to approximately RMB840,936,000. The net fair value gains on the financial assets at FVPL for the year ended 31 December 2023 amounted to approximately RMB163,850,000.

Management determined the fair values of the financial assets at FVPL at the end of the reporting period as follows:

- For investments in listed entities, management determined the fair values of these investments based on quoted market prices;
- For investments in unlisted entities, the Group engaged external valuers to assist them to determine the fair values of these financial assets, which involved significant judgments and estimates, including the adoption of appropriate valuation techniques (income approach or market approach) and the use of key assumptions under income approach (including revenue growth rates and gross profit margins during the forecast period, terminal growth rates and discount rates) and significant unobservable valuation input under market approach (including enterprise value to sales multiple, price to sales multiple and discounts for lack of marketability).

How our audit addressed the Key Audit Matter

Our procedures in relation to fair value measurement of financial assets at FVPL included:

- We understood, evaluated, and tested the key controls adopted by management over the capturing, measurement and recording of the financial assets at FVPL and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors of the related accounting estimates;
- We assessed the competency, capabilities and objectivity of the external valuers engaged by the Group;
- We obtained the valuation reports of these financial assets and assessed the appropriateness of the valuation methods adopted by management with the involvement of our internal valuation experts;
- For investments in listed entities, we checked the fair values determined by management against the quoted market prices;
- For investments in unlisted entities with fair value determined using the income approach:
 - We compared management's cash flow forecasts compiled in the prior year against the actual performance achieved in the current year to reconsider, with hindsight, whether there was management bias in prior year's forecasts;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

We focused on this area due to the significance of the net fair value gains recognized for the year and the significant judgments and estimates involved in the fair value measurement of the financial assets at FVPL, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the fair value measurement is considered significant due to uncertainty of significant assumptions and unobservable input used.

How our audit addressed the Key Audit Matter

- We challenged and assessed the reasonableness of the key assumptions adopted in the cash flow forecasts, including revenue growth rates and gross profit margins during the forecast period, and terminal growth rates, taking into consideration the historical performance, the approved budgets and plans, and the industry forecasts and market developments;
- We evaluated the reasonableness of discount rates applied in the calculation with the involvement of our internal valuation experts by comparing them against the industry or market data to assess whether the discount rates applied were within the range of those adopted by comparable companies in the same industry.
- For investments in unlisted entities with fair value determined using market approach, we evaluated the reasonableness of the significant unobservable input (including enterprise value to sales multiple, price to sales multiple and discounts for lack of marketability) with the involvement of our internal valuation experts by comparing them against the industry or market data.

Based on the above procedures, we found the significant judgments and estimates involved in the fair value measurement of the financial assets at FVPL were supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Revenue	6	3,950,585	3,418,035
<i>Including: interest revenue</i>	6	130,805	67,652
Cost of revenue	9	(3,212,421)	(2,387,091)
Gross profit		738,164	1,030,944
Selling expenses	9	(124,971)	(386,498)
Administrative expenses	9	(338,833)	(322,796)
Research and development expenses	9	(265,572)	(270,273)
Net impairment losses on financial assets	3.1(b)	(57,843)	(48,701)
Other income	7	56,256	54,378
Fair value changes of financial assets and financial liabilities at fair value through profit or loss - net	20,32	144,563	119,530
Other losses - net	8	(26,750)	(9,758)
Operating profit		125,014	166,826
Finance costs	11	(89,937)	(52,466)
Share of profits of investments accounted for using the equity method	14	357	8,098
Profit before income tax		35,434	122,458
Income tax expense	12	(25,321)	(26,445)
Profit for the year		10,113	96,013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Attributable to:			
Equity holders of the Company		11,627	153,922
Non-controlling interests		(1,514)	(57,909)
		10,113	96,013
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss			
Currency translation differences		9,590	123,508
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive (loss)/income of investments accounted for using the equity method		(40)	97
Currency translation differences		(6,298)	(61,042)
		(6,338)	(60,945)
Other comprehensive income for the year, net of tax		3,252	62,563
Total comprehensive income for the year		13,365	158,576
Attributable to:			
Equity holders of the Company		14,879	216,485
Non-controlling interests		(1,514)	(57,909)
		13,365	158,576
Earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
- Basic	13	0.03	0.39
- Diluted	13	0.03	0.38

The notes on pages 113 to 229 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	66,539	48,333
Intangible assets	17	478,865	496,687
Investments accounted for using the equity method	14	134,721	131,711
Prepayments and other receivables	23(a)	42,362	25,587
Financial assets at fair value through profit or loss	20	827,342	634,172
Long-term bank deposits	21	80,996	-
Deferred tax assets	33(c)	57,853	37,225
Other non-current assets	18	185,199	158,253
		1,873,877	1,531,968
Current assets			
Inventories		2,433	6,602
Loan receivables	24	882,332	588,218
Trade receivables	22	355,059	274,642
Prepayments and other receivables	23(b)	2,292,171	2,358,090
Financial assets at fair value through profit or loss	20	13,594	14,384
Restricted cash	25	2,097,246	891,916
Cash and cash equivalents	25	887,909	1,591,508
Other current assets		15,740	32,670
		6,546,484	5,758,030
Total assets		8,420,361	7,289,998
EQUITY			
Share capital and share premium	26	3,094,193	3,069,939
Reserves	27	(1,310,601)	(1,216,410)
Retained earnings		924,284	916,806
Equity attributable to equity holders of the Company		2,707,876	2,770,335
Non-controlling interests		(90,475)	(89,068)
Total equity		2,617,401	2,681,267

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16(a)	28,896	6,450
Financial liabilities at fair value through profit or loss	32	–	25,867
Deferred tax liabilities	33(c)	78,264	56,854
Convertible bonds	34	405,539	379,320
		512,699	468,491
Current liabilities			
Trade and other payables	30(a)	4,321,666	3,309,050
Contract liabilities	29	26,073	31,864
Current tax liabilities		115,059	94,458
Lease liabilities	16(a)	22,521	20,172
Bank and other borrowings	31	780,062	680,390
Financial liabilities at fair value through profit or loss	32	24,880	4,306
		5,290,261	4,140,240
Total liabilities		5,802,960	4,608,731
Total equity and liabilities		8,420,361	7,289,998

The notes on pages 113 to 229 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 105 to 229 were approved and authorized for issue by the Board of Directors on 21 March 2024 and were signed on its behalf.

Liu Yingqi

Director

Yao Zhijian

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

Note	Reserves									
	Share capital and share premium	Treasury shares	Conversion option reserve	Other reserves	Sub-total	Retained earnings	Sub-total	Non-controlling interests	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2023	3,069,939	(1,147,025)	97,861	(167,246)	(1,216,410)	916,806	2,770,335	(89,068)	2,681,267	
Profit for the year	-	-	-	-	-	11,627	11,627	(1,514)	10,113	
Other comprehensive income	-	-	-	3,252	3,252	-	3,252	-	3,252	
Total comprehensive income	-	-	-	3,252	3,252	11,627	14,879	(1,514)	13,365	
Transactions with equity holders										
Buy-back of shares for the purpose of cancellation	26,27	(10,143)	(31,535)	-	-	(31,535)	-	(41,678)	-	(41,678)
Buy-back of shares for the purpose of share award schemes	27	-	(103,804)	-	-	(103,804)	-	(103,804)	-	(103,804)
Acquisition of subsidiaries		-	-	-	-	-	-	107	107	
Share award schemes:	35(b)									
- value of employee services		-	-	-	77,653	77,653	-	77,653	-	77,653
- transfer shares to awardees upon vesting	26,27	34,397	-	-	(46,182)	(46,182)	-	(11,785)	-	(11,785)
Share option schemes:	35(a)									
- value of employee services		-	-	-	2,276	2,276	-	2,276	-	2,276
Profit appropriations to statutory reserves	27	-	-	-	4,091	4,091	(4,091)	-	-	-
Profit appropriations to risk reserves	27	-	-	-	58	58	(58)	-	-	-
		24,254	(135,339)	-	37,896	(97,443)	(4,149)	(77,338)	107	(77,231)
Balance at 31 December 2023		3,094,193	(1,282,364)	97,861	(126,098)	(1,310,601)	924,284	2,707,876	(90,475)	2,617,401

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Note	Reserves							Non-controlling interests	Total
		Share capital and share premium	Treasury shares	Conversion option reserve	Other reserves	Sub-total	Retained earnings	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2022	3,148,709	(387,986)	-	(272,820)	(660,806)	771,347	3,259,250	(58,579)	3,200,671	
Profit for the year	-	-	-	-	-	153,922	153,922	(57,909)	96,013	
Other comprehensive income	-	-	-	62,563	62,563	-	62,563	-	62,563	
Total comprehensive income	-	-	-	62,563	62,563	153,922	216,485	(57,909)	158,576	
Transactions with equity holders										
Buy-back of shares for the purpose of cancellation	26,27	(88,559)	(9,751)	-	-	(9,751)	-	(98,310)	-	(98,310)
Buy-back of shares for the purpose of share award schemes	27	-	(749,288)	-	-	(749,288)	-	(749,288)	-	(749,288)
Acquisition of a subsidiary		-	-	-	-	-	-	27,420		27,420
Share award schemes:	35(b)									
- value of employee services		-	-	-	15,136	15,136	-	15,136	-	15,136
- transfer shares to awardees upon vesting	26,27	9,789	-	-	(11,834)	(11,834)	-	(2,045)	-	(2,045)
Share option schemes:	35(a)									
- value of employee services		-	-	-	31,246	31,246	-	31,246	-	31,246
Profit appropriations to statutory reserves	27	-	-	-	8,110	8,110	(8,110)	-	-	-
Profit appropriations to risk reserves		-	-	-	353	353	(353)	-	-	-
Equity component of convertible bonds	34	-	-	97,861	-	97,861	-	97,861	-	97,861
		(78,770)	(759,039)	97,861	43,011	(618,167)	(8,463)	(705,400)	27,420	(677,980)
Balance at 31 December 2022		3,069,939	(1,147,025)	97,861	(167,246)	(1,216,410)	916,806	2,770,335	(89,068)	2,681,267

The notes on pages 113 to 229 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	37(a)	(283,381)	212,714
Interest received		37,541	26,522
Interest and convertible bonds issuance costs paid		(67,176)	(38,494)
Income tax paid		(4,189)	(6,857)
Net cash (used in)/generated from operating activities		(317,205)	193,885
Cash flows from investing activities			
Prepayment for land use rights		(20,886)	(17,044)
Purchase of property, plant and equipment and intangible assets		(7,987)	(7,854)
Payments for other non-current assets		(119,769)	(212,472)
Payments for investments in associate	14	(1,834)	-
Payments for purchase of financial assets at fair value through profit or loss		(45,864)	(7,500)
Payments for long-term bank deposits	21	(80,996)	-
Advance to an associate	38(a)(vii)	(38,000)	(92,000)
Repayment of advance from an associate		-	16,000
Proceeds from disposals of financial assets at fair value through profit or loss		18,614	3,133
Proceeds from disposal of property, plant and equipment		-	15
Proceeds/(payments) for acquisition of subsidiaries, net of cash acquired		885	(134,562)
Consideration paid for acquisition of Beijing Chuangxinzhong Technology Co., Ltd.	32	(25,624)	(28,390)
Net cash used in investing activities		(321,461)	(480,674)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Payments for buy-back of ordinary shares	26, 27	(145,482)	(847,598)
Proceeds from issuance of convertible bonds	34	-	470,974
Payments for convertible bonds issuance costs		-	(3,822)
Proceeds from bank borrowings		1,100,862	968,800
Payments for acquisition of non-controlling interests in previous year		-	(15,000)
Repayments of bank borrowings		(1,001,190)	(797,910)
Payments for the principal elements of lease liabilities (including interest paid)	16(c)	(26,659)	(29,868)
Net cash used in financing activities		(72,469)	(254,424)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		1,591,508	2,057,872
Effects of exchange rate changes on cash and cash equivalents		7,536	74,849
Cash and cash equivalents at end of year		887,909	1,591,508

The notes on pages 113 to 229 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

1.1 General information

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

The Company is an investment holding company. The Company and its subsidiaries, including structured entities set out in Note 1.2 (collectively, the “**Group**”), are principally engaged in the provision of 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**”).

Mr. Liu Yingqi (“**Mr. Liu**”), is the ultimate controlling shareholder of the Company.

The consolidated financial statements for the year ended 31 December 2023 are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated. These consolidated financial statements for the year ended 31 December 2023 have been approved for issue by the board of directors (the “**Board**”) of the Company on 21 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information (Continued)

1.2 Information about subsidiaries

Particulars of the principal subsidiaries (including structured entities) of the Group as at 31 December 2023 and 2022 are set out below:

Company name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Ownership/ beneficial interest held by the Group as at 31 December		Ownership/ beneficial interest held by non-controlling interests as at 31 December		Notes
				2023	2022	2023	2022	
Direct interest								
Yeahka Technology Limited	Hong Kong/limited liability company	Investment holding/ Hong Kong	HKD100/HKD100	100%	100%	-	-	
Clear Joyous Global Limited (“Clear Joyous”)	British Virgin Islands/limited liability company	Investment holding/ British Virgin Islands	USD2/USD50,000	100%	100%	-	-	
IVP Growth I Limited (“IVP Growth”)	Cayman Islands/limited liability company	Investment holding/ British Virgin Islands	USD176/USD176	90%	90%	10%	10%	
Indirect interest								
Yeahka Technology (Shenzhen) Co., Ltd. (“Yeahka WFOE”)*宜卡科技(深圳)有限公司	PRC/wholly foreign owned enterprise	Investment holding/ PRC	USD56,637,207/ USD56,637,207	100%	100%	-	-	
Shenzhen Yeahka Technology Co., Ltd. (“Shenzhen Yeahka”)*深圳市移卡科技有限公司	PRC/limited liability company	Payment terminal and mobile payment services/PRC	RMB200,000,000/ RMB200,000,000	100%	100%	-	-	(a)(b)
Leshua Technology Co., Ltd. (“Leshua”)*樂刷科技有限公司	PRC/limited liability company	Payment terminal and mobile payment services/PRC	RMB101,000,000/ RMB101,000,000	100%	100%	-	-	(a)(b)
Shenzhen Qianhai Saosao Technology Co., Ltd. (“Qianhai Saosao”)*深圳市前海掃掃科技有限公司	PRC/limited liability company	Marketing service/ PRC	RMB380,000,000/ RMB380,000,000	100%	100%	-	-	
Shenzhen Leshou Cloud Technology Co., Ltd.* (“Leshou”)*深圳市樂售雲科技有限公司	PRC/limited liability company	Software as a service (“SaaS”) service/PRC	RMB18,237,000/ RMB300,000,000	100%	100%	-	-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information (Continued)

1.2 Information about subsidiaries (Continued)

Particulars of the principal subsidiaries (including structured entities) of the Group as at 31 December 2023 and 2022 are set out below (Continued):

Company name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Ownership/ beneficial interest held by the Group as at 31 December		Ownership/ beneficial interest held by non-controlling interests as at 31 December		Notes
				2023	2022	2023	2022	
Shenzhen Feiquan Cloud Data Service Co., Ltd.* ("Feiquan Cloud") 深圳市飛泉雲數據服務有限公司	PRC/limited liability company	Fintech service/PRC	RMB300,000,000/ RMB300,000,000	100%	100%	-	-	
Shenzhen Qianhai Feiquan Commercial Factoring Co., Ltd.* 深圳前海飛泉商業保理有限公司	PRC/limited liability company	Fintech service/PRC	RMB60,000,000/ RMB60,000,000	100%	100%	-	-	
Expanded Treasure Technology Limited ("Expanded Treasure")	Hong Kong/limited liability company	Investment holding/ Hong Kong	HKD-/HKD1	100%	100%	-	-	
Guangzhou Feiquan small loan Co., Ltd.* 廣州飛泉小額貸款有限公司	PRC/limited liability company	Fintech service/PRC	RMB400,000,000/ RMB400,000,000	100%	100%	-	-	(a)(b)
Shenzhen Letuobao Technology Co., Ltd. ("Letuobao") 深圳樂拓寶科技有限公司	PRC/limited liability company	Marketing services/ PRC	USD-/ USD2,000,000	100%	100%	-	-	
Beijing Chuangxinzhong Technology Co., Ltd. ("Chuangxinzhong") 北京創信眾科技有限公司	PRC/limited liability company	Marketing services/ PRC	RMB2,869,286/ RMB11,869,286	85%	85%	15%	15%	
Tianjin Chuangxinzhong Technology Co., Ltd. ("Tianjin Chuangxinzhong") 天津創信眾科技有限公司	PRC/limited liability company	Marketing services/ PRC	RMB10,000,000/ RMB10,000,000	85%	85%	15%	15%	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information (Continued)

1.2 Information about subsidiaries (Continued)

Particulars of the principal subsidiaries (including structured entities) of the Group as at 31 December 2023 and 2022 are set out below (Continued):

Company name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Ownership/ beneficial interest held by the Group as at 31 December		Ownership/ beneficial interest held by non-controlling interests as at 31 December		Notes
				2023	2022	2023	2022	
Shenzhen Leshua Shangquan Technology Co., Ltd. ("Leshua Shangquan")* 深圳市樂刷商圖科技有限公司	PRC/limited liability company	Platform service/ PRC	RMB10,000,000/ RMB10,000,000	65%	65%	35%	35%	
Shenzhen Lejuquan Technology Co., Ltd. ("Lejuquan")* 深圳樂聚圖科技有限公司	PRC/limited liability company	Marketing services/ PRC	RMB10,000,000/ RMB10,000,000	100%	100%	-	-	
Guangzhou Feiquan Financing Guarantee Co., Ltd.* 廣州飛泉融資擔保有限公司	PRC/limited liability company	Investment in debts/PRC	RMB220,000,000/ RMB220,000,000	100%	100%	-	-	(a)(b)
Dingding Cultural Tourism (Chengdu) Co., Ltd.* ("Dingding Cultural")* 鼎鼎文化旅遊成都有限公司	PRC/limited liability company	Platform service/ PRC	RMB2,500,000/ RMB2,500,000	60%	60%	40%	40%	
Zhejiang Shanxi Network Technology Co., Ltd. ("Zhejiang Shanxi")* 浙江剡靈網絡科技有限公司	PRC/limited liability company	Platform service/ PRC	RMB2,000,000/ RMB17,930,600	44%	-	56%	-	(c)
Yangzhou Shunshun Culture Media Co., Ltd. ("Yangzhou Shunshun")* 揚州順順文化傳媒有限公司	PRC/limited liability company	Platform service/ PRC	RMB-/ RMB500,000	100%	-	-	-	
Yeah United Holding Limited ("Yeah United")	British Virgin Islands/limited liability company	Employee Trust/ British Virgin Islands	USD-/USD1	100%	100%	-	-	(b)
Yeah Talent Holding Limited ("Yeah Talent")	British Virgin Islands/limited liability company	Employee Trust/ British Virgin Islands	USD-/USD1	100%	100%	-	-	(b)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information (Continued)

1.2 Information about subsidiaries (Continued)

- (a) The regulations in the PRC restrict foreign investments in companies that provide value-added telecommunication services, payment services and micro-credit businesses, which include certain activities and services operated by the Group through Shenzhen Yeahka and its subsidiaries, which are companies incorporated in the PRC and controlled by Mr Liu. In order to enable certain foreign companies to make investments into these businesses of the Group, Yeahka WFOE was established in May 2012 in the PRC, and entered into contractual arrangements with Shenzhen Yeahka and its then registered owners in order to gain management control over, and enjoys all economic benefits of Shenzhen Yeahka through a series of contractual arrangements. The details of those contractual arrangements are set out in Note 41.1.1(a). Through these contractual arrangements, the Company is able to effectively control, recognize and receive substantially all the economic benefits and operations of the Shenzhen Yeahka and its subsidiaries. Accordingly, these PRC entities are treated as structured entities controlled by the Company and the financial positions and results of operations of these PRC entities have been consolidated since the respective dates when the Company first obtained control over them.
- (b) All these entities are structured entities for the Group.
- (c) The Group has entered into a consensus action agreement with several shareholders of Zhejiang Shanxi. Such shareholders agree to act as a connected person in accordance with the Group's intention and unconditionally and irrevocably exercise voting rights in accordance with the Group's. Accordingly, Zhejiang Shanxi is controlled by the Company and its financial position and results of operation have been consolidated since the respective date when the Company first obtained control over it.
- * The English names of companies established in the PRC are translations of their Chinese names at the best effort of the directors of the Company (the "**Directors**") as they do not have official English names.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

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

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

(a) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

- IFRS 17 and amendments to IFRS 17 – Insurance Contracts
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

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

Standards and amendments that have been issued but not yet effective at 1 January 2023 and not been early adopted by the Group during the year are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1	Non current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7	Supplier finance	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(1) Foreign exchange risk

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

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2023 and 2022.

(2) Cash flow interest rate risk

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

As at 31 December 2023, bank borrowings of the Group which were bearing at floating rates amounted to approximately RMB171,000,000 (2022: RMB123,000,000). As at 31 December 2023, if interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the year ended 31 December 2023 would increase/decrease by approximately RMB1,710,000 (2022: RMB1,230,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade 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.

(1) 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.

To manage risk arising from trade receivables and other 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.

To manage risk arising from loan receivables, standardised credit management procedures are performed. The Group conducts holistic assessment on credit worthiness of loan applicants, which consist of automatic preliminary assessment, screening, and manual assessment. The management makes periodic collective assessments as well as individual assessment on the recoverability of loan receivables based on historical settlement records and past experiences incorporating forward-looking information.

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 31 December 2023, the maximum exposure arising from the provision of financial guarantee to certain loan facilitation parties amounted to approximately RMB551,723,000 (31 December 2022: RMB177,637,000), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets

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.

	As at 31 December 2023			As at 31 December 2022		
	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost (IFRS 9)						
Cash and cash equivalents (i)	887,909	-	887,909	1,591,508	-	1,591,508
Restricted cash (i)	2,097,246	-	2,097,246	891,916	-	891,916
Trade receivables (ii)	376,012	(20,953)	355,059	304,173	(29,531)	274,642
Loan receivables (iii)						
- Stage 1	899,129	(22,065)	877,064	598,083	(11,069)	587,014
- Stage 2	13,754	(9,790)	3,964	1,530	(735)	795
- Stage 3	13,216	(11,912)	1,304	3,441	(3,032)	409
Other receivables (iii)						
- Stage 1	2,290,060	(7,965)	2,282,095	2,344,558	(4,892)	2,339,666
- Stage 3	35,754	(35,754)	-	33,457	(33,457)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

(i) Cash and cash equivalent and restricted cash

While the Group's cash and cash equivalent and restricted cash are subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the share credit risk characteristics and the days past due.

The expected loss rate are based on the overdue aging profiles of trade receivables and the corresponding historical credit losses expected. The historical loss are then adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

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

31 December 2023	Current	Less than 90 days past due	90-180 days past due	180-270 days past due	More than 270 days past due	Total
Expected loss rate	0.68%	9.32%	19.51%	27.87%	100.00%	5.57%
Gross carrying amount (RMB'000)	348,177	9,684	492	122	17,537	376,012
Loss allowance (RMB'000)	2,383	903	96	34	17,537	20,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

(ii) Trade receivables (Continued)

31 December 2022	Current	Less than 90 days past due	90-180 days past due	180-270 days past due	more than 270 days past due	Total
Expected loss rate	0.56%	7.29%	14.59%	28.15%	100.00%	9.71%
Gross carrying amount (RMB'000)	209,237	7,733	29,725	47,356	10,122	304,173
Loss allowance (RMB'000)	1,178	564	4,336	13,331	10,122	29,531

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	29,531	20,442
(Reversal)/provision for expected credit loss	(8,578)	9,089
At the end of the year	20,953	29,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

(iii) Other receivables and loan receivables

Other receivables mainly comprise balances resulted from the Group's principal activities with various business partner. Loan receivables comprise the principle and interest arising from micro-credit business. Impairment on these financial assets are measured as either 12-month estimated credit losses ("ECL") or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets at the reporting date with the risk of default as the data of initial recognition. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations; and
- significant changes in the expected performance and behaviour of the borrowers, including changes in payment status of borrowers in the group and changes in the operating results of the borrowers.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor for other receivables is more than 30 days past due in making a contractual payment and that for loan receivables is past due. Under such a case, other receivables and loan receivables are classified as stage 2 and subject to lifetime expected losses provision. When the other receivables and loan receivables became past due for more than 90 days, they are treated as credit-impaired and therefore classified as stage 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

(iii) Other receivables and loan receivables (Continued)

Other receivables are written off when there is no reasonable expectation of recovery and loan receivables are written off when interest and/or principal repayments are 180 days past due or there is no reasonable expectation of recovery. Where these financial assets have been written off, the Group continues to engage in follow-up actions such as enforcement activities to attempt recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

A summary of the assumptions underpinning the Company's expected credit loss model for other receivables and loan receivables is as follows:

Category	Group definition of category		Basis for recognition of ECL provision
	Loan receivables	Other receivables	
Stage 1-Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows		12-month ECL, where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2-Under-performing	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due	Other receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due or adverse changes in solvency and operational capabilities	Lifetime ECL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

(iii) Other receivables and loan receivables (Continued)

Category	Group definition of category		Basis for recognition of ECL provision
	Loan receivables	Other receivables	
Stage 3-Non-performing	Interest and/or principal repayments are 90 days past due or it becomes probable a customer lose solvency	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Lifetime ECL
Write-off	Interest and/or principal repayments are 180 days past due or there is no reasonable expectation of recovery	There is no reasonable expectation of recovery	Assets are written off

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	14,836	24,505
Provision for expected credit loss	61,056	35,904
Write-off	(32,125)	(45,573)
At the end of the year	43,767	14,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

(iii) Other receivables and loan receivables (Continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	38,349	34,641
Provision for expected credit loss	5,365	3,708
Currency translation difference	5	-
At the end of the year	43,719	38,349

(c) Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
As at 31 December 2023					
Trade payables	274,711	-	-	-	274,711
Other payables and accruals (excluding accrual for payroll and welfare allowances, interest payable and other taxes payable)	3,942,052	-	-	-	3,942,052
Lease liabilities	22,107	16,097	17,363	-	55,567
Bank and other borrowings (including interest payment)	794,842	-	-	-	794,842
Financial liabilities at fair value through profit or loss	24,880	-	-	-	24,880
Convertible bonds (including interest payment) assuming no conversion	30,987	30,987	557,763	-	619,737
Financial guarantee (Note 3.1(b)(1))	551,723	-	-	-	551,723
	5,641,302	47,084	575,126	-	6,263,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Trade payables	252,021	-	-	-	252,021
Other payables and accruals (excluding accrual for payroll and welfare allowances, interest payable and other taxes payable)	2,895,300	-	-	-	2,895,300
Lease liabilities	21,473	6,554	-	-	28,027
Bank and other borrowings (including interest payment)	689,056	-	-	-	689,056
Financial liabilities at fair value through profit or loss	4,306	25,867	-	-	30,173
Convertible bonds (including interest payment) assuming no conversion	30,470	30,470	578,932	-	639,872
Financial guarantee (Note 3.1(b)(1))	177,637	-	-	-	177,637
	4,070,263	62,891	578,932	-	4,712,086

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Capital management (Continued)

The Group was in net cash position as at 31 December 2022. The gearing ratio as at 31 December 2023 was as follows:

	RMB'000
Net debt (Note 37(c))	349,109
Total equity	2,617,401
Gearing ratio	13%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2023 and 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 31 December 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL	13,594	-	827,342	840,936
Liabilities				
Contingent consideration and others	-	-	24,880	24,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

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

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 years ended 31 December 2023 and 2022, there was no transfer between level 1 and 2 for recurring fair value measurements. The significant methods used to determine the fair value and the fair value changes in level 3 financial instruments are presented in Notes 20 and 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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 financial year end the finance department:

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

Changes in Level 3 fair values are analysed at each reporting date during the 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, restricted cash, trade and other receivables, loan receivables, trade and other payables and borrowings approximate to their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Valuation processes of the Group (Level 3) (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value		Significant unobservable input	Range of input		Relationship between unobservable input and fair values
	As at 31 December			As at 31 December		
	2023 RMB'000	2022 RMB'000		2023	2022	
Non-current financial assets at FVPL	827,342	634,172	Discounts for lack of marketability ("DLOM")	25.00%-30.00%	15.00%-35.00%	the higher the DLOM, the lower the fair value
			Enterprise value to sales ("EV/Sales") multiple	1.90-6.80	0.95-2.20	the higher the EV/Sales multiple, the higher the fair value
			Price to sales ("P/S") multiple	14.4	44.1	the higher the P/S multiple, the higher the fair value
			Revenue growth rate	8.0%-66.9%	8.44%-75.24%	the higher the revenue growth rate, the higher the fair value
			Growth profit margin	24.8%-60.0%	30.57%-44.65%	the higher the growth profit margin, the higher the fair value
			Terminal growth rate	2.50%	3.00%	the higher the terminal growth rate, the higher the fair value
			Pre-tax discount rate	19.5%-20.4%	20.0%-21.0%	the higher the discount rate, the lower the fair value
Contingent consideration	24,880	30,173	Discount rate	N/A (as due within one year)	4.30%	the higher the discount rate, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

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

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

(a) Revenue recognition-gross or net basis presentation

The determination of revenues should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in IFRS15. Details are set out in Note 6.

(b) Current income taxes (“CIT”) and deferred income taxes

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

(c) Expected credit loss for trade receivables, other receivables and loan receivables

The impairment provisions for trade receivables, other receivables and loan receivables are made based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, which is based on the Group's past history, existing market conditions as well as forward looking estimates made at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

(d) Recognition of share-based compensation expenses

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

(e) Contractual arrangement for structured entities

As disclosed in Note 41.1.1, the Group conducts certain part of its business through Shenzhen Yeahka and its subsidiaries. Due to the regulatory restrictions on the foreign ownership in the PRC, the Group does not have any equity interest in Shenzhen Yeahka. The Directors assessed whether or not the Group has control over Shenzhen Yeahka and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Shenzhen Yeahka and its subsidiaries and has the ability to affect those returns through its power over Shenzhen Yeahka and its subsidiaries. After assessment, the Directors concluded that the Group has control over Shenzhen Yeahka and its subsidiaries as a result of the contractual arrangements. Accordingly, the financial position and the operating results of Shenzhen Yeahka and its subsidiaries are included in the Group's consolidated financial statements since the respective dates of incorporation. Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shenzhen Yeahka and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shenzhen Yeahka and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the contractual arrangements among Yeahka WFOE, Shenzhen Yeahka and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

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

The fair value assessment of financial assets and liabilities at fair value through profit or loss that are measured at level 3 fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions disclosed in Notes 3.3, 20 and 32.

(g) Impairment of goodwill

The Group tests annually whether goodwill suffered any impairment in accordance with the accounting policy states in Note 17(a). In determining whether goodwill is impaired requires an estimation of the recoverable amount of cash generating units (“CGU”) or a group of CGUs to which goodwill has been allocated. The recoverable amount of a CGU or a group of CGUs is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management.

Details of impairment charge, key assumptions which are made by the management and third-party valuer and impact of possible changes in key assumptions are disclosed in Note 17.

(h) Impairment of investments in associates

Impairment of investments in associates are reviewed for impairment whether events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Judgements are required to evaluate, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. The recoverable amount of the CGU has been determined based on value-in-use calculations of fair value less cost to sell, which is higher. These calculations require the use of estimates, including operating results, income and expenses of the business, future economic conditions on growth rates and future returns. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information

The Group's business activities are regularly reviewed and evaluated by the chief operating decision - maker ("CODM"). The 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 whole; 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 segment information is presented.

6 Revenue

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
One-stop payment services	3,484,960	2,754,252
Merchant solutions services	362,951	309,562
In-store e-commerce services	102,674	354,221
	3,950,585	3,418,035

For the years ended 31 December 2023 and 2022, interest revenue from entrusted loans and small-sized retail loans amounting to approximately RMB130,805,000 and RMB67,652,000, respectively, are included in revenue derived from merchant solutions services.

Except for interest income which is recognized over time, revenues of the Group are recognized at a point in time according to the related provisions prescribed under IFRS 15.

During the year, the Group paid approximately RMB344 million in aggregate in relation to interchange fee rate adjustments to a suspense account of the payment networks as requested by the payment networks. Such payments were netted off from the Group's one-stop payment services revenue for the year ended 31 December 2023 in accordance with the Group's accounting policies of revenue recognition and based on the Group's preliminary communications with the payment networks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue (Continued)

(a) The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022.

(b) Accounting policies of revenue recognition

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

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

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

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

The Group principally derives revenue from (i) one-stop payment services, (ii) merchant solutions services and (iii) in-store e-commerce services. The accounting policies for each of the Group's revenue streams are set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue (Continued)

(b) Accounting policies of revenue recognition (Continued)

(i) *One-stop payment services*

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

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

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

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

The service fee rates are determined based on the agreements entered into between the Group and the merchants.

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

In addition to the provision of services to merchants mentioned above, the Group also provides separate system support services to some distribution channels. System support services are customized by a right that allow distribution channels to use the systems that meet the specific needs of various types of merchants. The distribution channels can use the systems as they are available at a point in time. The Group recognizes revenue for such system support services at a point in time when the distribution channels have the access to the systems and has control over the systems and the Group has a present right to payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue (Continued)

(b) Accounting policies of revenue recognition (Continued)

(ii) Merchant solutions services

Leveraging on the established customer base acquired from provision of the one-stop payment services, the Group also provides a series of value-added merchant solutions services, including (1) provision of various SaaS products with scenario-specific functionalities integrated with the payment services, data analysis services or SaaS terminals with operating system can be customized by customers as needed; (2) provision of agency services to customers; (3) provision of online marketing services to customers; (4) provision of technology services to insurance companies through the Group's technology platform; and (5) provision of small-sized loans to customers.

Except for revenue from provision of small-sized loans to customers, revenues from merchant solutions services are recognized at a point in time when products or services are delivered; while interest income of in the small-sized loans provided to customers are recognized using an approach similar to the effective interest method over the respective loan periods.

Gross or net basis presentation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue (Continued)

(b) Accounting policies of revenue recognition (Continued)

(ii) Merchant solutions services (Continued)

Gross or net basis presentation (Continued)

- Gross model

Under this arrangement, the Group generates revenue from providing comprehensive advertisement placement services to the advertisers. The Group charges the advertisers based on Cost per click (“**CPC**”) or specified action such as download, installation, registration of the mobile device users or merchants, transaction completed (cost per action or CPA).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue (Continued)

(b) Accounting policies of revenue recognition (Continued)

(ii) Merchant solutions services (Continued)

Gross or net basis presentation (Continued)

- Net model

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

The Group is considered as an agent in this arrangement because the Group (1) does not control a specified service before that service is delivered to an advertiser; (2) does not have the latitude to select media publisher which is designated in the contract with the advertiser; (3) does not own the media advertisement space, and does not have any commitments to purchase the advertising space, and therefore does not have inventory risk, and (4) the Group charges the advertisers based on amount charged by the media publishers and advertising agents, which is the same pricing mechanism that the media publishers or advertising agents charge the Group. Therefore, the Group reports the amount received from the advertisers and the amounts paid to the media publishers or advertising agents related to these transactions on a net basis.

(iii) In-store e-commerce services

Leveraging on the established customer base with merchants acquired from providing the one-stop payment services, the Group also provides in-store e-commerce services like provision of display in-store, hotel & travel services, or various goods of merchants in the Group's platform, transaction users can purchase the goods, vouchers or make reservations offered by merchants via the Group's platform.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue (Continued)

(b) Accounting policies of revenue recognition (Continued)

(iii) In-store e-commerce services (Continued)

The Group charges commission fees based on the agreed percentage of goods or services paid by transaction users. The Group is considered as an agent in this arrangement because (1) the Group does not control specified goods or services before that goods or services are delivered to transaction users; (2) does not have the latitude to select goods or services which is designated in the contract with the transaction users; (3) does not own the goods or services purchased by the transactions users, and does not have any commitments to purchase the goods or services, and therefore does not bear any inventory risk, and (4) the Group charges the merchants based on the monetary amount of goods or services sold on the Group's platform or redeemed at merchant's site. Therefore, the Group reports the amount received from the transaction users and the amounts paid to the merchants related to these transactions on a net basis.

Revenues from provision of in-store e-commerce services are recognized at a point of time when the related services are delivered.

(iv) Contract liabilities

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

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

For considerations received for online marketing services and in-store e-commerce services from the respective customers and transaction users, the Group has the right to unconditional consideration before the provision of the respective services to the customers or the merchants, respectively. In both cases, the Group has the contract liability when the payment is received or a receivable is recorded, whichever is earlier. This means that the Group has an obligation to provide the online marketing services to the customer or in-store e-commerce services to the merchant, for which the Group has received consideration from the customers or transaction users, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue (Continued)

(b) Accounting policies of revenue recognition (Continued)

(v) Contract fulfilment costs

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

(vi) Financing components

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

7 Other income

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Government grants	16,156	27,856
Interest income from bank deposits	38,948	26,508
Interest income from advance to an associate (Note 38(a)(ii))	1,152	14
	56,256	54,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Other losses - net

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Gains on disposal of financial assets at FVPL	1,671	-
Net exchange losses	(767)	(5,668)
Impairment reversal/(charges) on prepayments (Note 23(b))	358	(3,892)
Gains on disposal of property, plant and equipment	452	663
Gain on deemed disposal of an associate (Note 14)	-	560
Regulatory fines (Note 30(a)(iv))	(28,104)	(940)
Others	(360)	(481)
	(26,750)	(9,758)

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:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Commissions and marketing costs	3,057,862	2,291,642
Employee benefit expenses (Note 10(a))	459,323	480,183
Outsourcing service fees	89,891	242,841
Advertising and promotion expenses	15,964	80,845
Depreciation of property, plant and equipment	37,719	44,852
Amortization of intangible assets	18,211	23,127
Amortization of other non-current assets	94,980	43,650
Office expenses	20,807	32,945
Rental expenses relating to short-term leases	13,616	27,558
System development, consulting and data validation	21,080	24,751
Raw materials and consumables	14,829	13,421
Professional service fees	18,092	10,764
Travel and transportation	13,263	10,943
Auditor's remuneration	6,999	8,650
- audit services	6,400	7,000
- non-audit services	599	1,650
Others	59,161	30,486
	3,941,797	3,366,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Employee benefit expenses (including directors' emoluments)

(a) Employee benefit expenses are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Wages, salaries and bonuses	295,529	336,179
Welfare, medical and other expenses	46,014	53,612
Defined contribution plans	35,513	42,284
Termination benefits	2,338	1,726
Employee share schemes -value of employee services	79,929	46,382
	459,323	480,183

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Employee benefit expenses (including directors' emoluments) (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2023 and 2022 included 2 directors, whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining 3 individuals during each of the years ended 31 December 2023 and 2022, are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Wages and salaries	3,782	3,191
Discretionary bonuses	1,807	3,151
Welfare, medical and other expenses	160	174
Defined contribution plans	144	130
Employee share schemes -value of employee services	4,634	6,685
	10,527	13,331

During the years ended 31 December 2023 and 2022, no director or the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group, leave the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Employee benefit expenses (including directors' emoluments) (Continued)

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

	Year ended 31 December	
	2023	2022
Emolument band		
HKD 2,500,001 - HKD3,000,000	-	-
HKD 3,000,001 - HKD3,500,000	1	-
HKD 3,500,001 - HKD4,000,000	-	-
HKD 4,000,001 - HKD4,500,000	2	1
HKD 4,500,001 - HKD5,000,000	-	1
HKD 5,000,001 - HKD5,500,000	-	-
HKD 5,500,001 - HKD6,000,000	-	1
	3	3

11 Finance costs

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expenses on convertible bonds (Note 34)	50,581	21,210
Interest expenses on bank and other borrowings	36,809	28,400
Interest expenses on lease liabilities (Note 16(b))	2,547	2,856
	89,937	52,466

12 Income tax expense

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax	24,539	13,601
Deferred income tax	782	12,844
	25,321	26,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Income tax expense (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended 31 December 2023 and 2022, being the standard income rate in the PRC. The differences are analyzed as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Profit before income tax:	35,434	122,458
Adjusted share of profits of investment in associates, net	(357)	(8,098)
	35,077	114,360
Tax calculated at tax rate of 25%	8,769	28,590
Tax effects of:		
- Different income tax rates applicable to subsidiaries	6,311	(24,927)
- Research and development super deduction	(32,416)	(20,893)
- Expenses not deductible for tax purpose	7,411	965
- Tax losses not recognized as deferred tax assets	35,895	40,696
- Remeasurement of defer tax assets due to changes in tax rate	1,620	2,688
- Adjustments in respect of current income tax of previous years	(2,269)	(674)
	25,321	26,445

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

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

(b) Hong Kong profits tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Income tax expense (Continued)

(c) PRC CIT

Current income tax provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC current income tax rate is 25%.

Certain subsidiaries of the Group in the PRC are subject to a preferential current income tax rate of 15% either due to their qualification for “High and New Technology Enterprise” (“**HNTE**”) or their engagement in business that falls within the catalogue for current income tax preferential treatments of Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone (“**Qianhai Zone**”). Certain subsidiaries of the Group in the PRC are exempt from current income tax or subject to a preferential current income tax rate of 12.5% due to their qualification for “Software Enterprise”.

(d) Research and development super deduction

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, certain entities engaging in research and development activities were entitled to claim 200% of their research and development expenses incurred during the year ended 2023 (“**Super Deduction**”).

The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits.

(e) PRC withholding tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 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 years.

	Year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company (in RMB thousands)	11,627	153,922
Weighted average number of ordinary shares in issue (in thousands) (i)	371,349	394,607
Basic earnings per share (expressed in RMB per share)	0.03	0.39

- (i) Weighted average number of ordinary shares in issue for the year ended 31 December 2023 has been determined based on the number of shares in issue, excluding shares held for restricted share award schemes (Note 35(b)).

(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 year ended 31 December 2023 which were the convertible bonds as disclosed in Note 34, the share options as disclosed in Note 35(a) and the restricted share units as disclosed in Note 35(b).

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 year) based on the monetary value of the subscription rights attached to outstanding restricted share units and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the restricted share units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Earnings per share (Continued)

(b) Diluted earnings per share (Continued)

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 year ended 31 December 2023, the effect of the convertible bonds was anti-dilutive and therefore not included in the calculation of the diluted earnings per share.

	Year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company (in RMB thousands)	11,627	153,922
Weighted average number of ordinary shares in issue (in thousands)	371,349	394,607
Adjustments for the returnable shares issued for the acquisition of Tuo-zhanbao (in thousands)	-	6,365
Adjustments for unvested restricted share units and share options (in thousands)	2,381	678
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in thousands)	373,730	401,650
Diluted earnings per share (expressed in RMB per share)	0.03	0.38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Investments accounted for using the equity method

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	131,711	125,243
Additions	1,834	-
Reclassified to financial assets at FVPL	-	(3,774)
Share of profits	357	8,098
Share of other comprehensive (loss)/income	(40)	97
Gain on deemed disposal of an associate	-	560
Currency translation difference	859	1,487
At the end of the year	134,721	131,711

Set out below are the associates of the Group as at 31 December 2023 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company name	Percentage of ownership interest attributable to the Group		Principal activities and place of operation
	31 December		
	2023	2022	
RYK Capital Partners Limited (“RYK”) (a)	10.00%	10.00%	Investment holding/ Hong Kong
Shenzhen Zhizhanggui Cloud Service Co., Ltd. (“Zhizhanggui”)	40.00%	40.00%	SaaS services/PRC

(a) Management determined that the Group can exercise significant influence over RYK through its board representation, notwithstanding the shareholding is below 20%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Investments accounted for using the equity method (Continued)

(b) Summarized financial information for associates

The tables below provide summarized financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Zhizhanggui		RYK	
	Year ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Summarized statements of financial position				
Current assets	119,229	64,134	9,655	3,775
Non-current assets	6	17	599,488	475,943
Current liabilities	(222,157)	(148,893)	(19,216)	(2,527)
Non-current liabilities	-	(31)	(34,065)	(24,351)
Net (liabilities)/assets	(102,922)	(84,773)	555,862	452,840
Reconciliation to carrying amounts				
Opening net (liabilities)/assets at 1 January	(84,773)	(56,177)	452,840	235,276
Opening net (liabilities) at acquisition date	-	-	-	-
Capital injection	-	-	18,336	-
(Loss) /profit for the year	(18,149)	(28,596)	76,488	201,717
Other comprehensive income	-	-	(6,198)	974
Currency translation difference	-	-	14,396	14,873
Closing net (liabilities)/assets at 31 December	(102,922)	(84,773)	555,862	452,840
Group's share of net (liabilities)/assets	(41,169)	(33,909)	55,586	45,284
Goodwill	114,902	114,902	-	-
Carrying amount	73,733	80,993	55,586	45,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Investments accounted for using the equity method (Continued)

(b) Summarized financial information for associates (Continued)

	Year ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Summarized statements of comprehensive income				
Revenue	59,067	39,537	1,646	226
(Loss)/profit for the year	(18,149)	(28,596)	76,488	201,717
Other comprehensive income	-	-	(6,198)	974
Total comprehensive (loss)/income	(18,149)	(28,596)	70,290	202,691

(c) Individually immaterial associates

In addition to the interests in Zhizhanggui and RYK disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	5,402	5,434

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Aggregate amounts of the Group's share of losses	(32)	(635)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Property, plant and equipment

	Right-of-use assets RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended 31 December 2022					
Opening net book amount	39,610	15,624	1,988	17,035	74,257
Additions	20,818	6,316	-	-	27,134
Disposal	-	(9)	-	-	(9)
Reassessment of lease terms	(8,281)	-	-	-	(8,281)
Depreciation charge	(26,648)	(8,156)	(726)	(9,322)	(44,852)
Currency translation difference	-	-	84	-	84
Closing net book amount	25,499	13,775	1,346	7,713	48,333
As at 31 December 2022					
Cost	105,714	38,212	4,055	31,713	179,694
Accumulated depreciation	(80,215)	(24,437)	(2,709)	(24,000)	(131,361)
Net book amount	25,499	13,775	1,346	7,713	48,333

	Right-of-use assets RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended 31 December 2023					
Opening net book amount	25,499	13,775	1,346	7,713	48,333
Additions	52,368	3,028	924	1,920	58,240
Business combination	217	675	-	-	892
Disposal	(3,214)	-	-	-	(3,214)
Depreciation charge	(24,372)	(6,809)	(566)	(5,972)	(37,719)
Currency translation difference	-	-	7	-	7
Closing net book amount	50,498	10,669	1,711	3,661	66,539
As at 31 December 2023					
Cost	146,169	41,915	4,987	33,633	226,704
Accumulated depreciation	(95,671)	(31,246)	(3,276)	(29,972)	(160,165)
Net book amount	50,498	10,669	1,711	3,661	66,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Property, plant and equipment (Continued)

The depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Administrative expenses	33,424	36,433
Research and development expenses	4,173	8,301
Selling expenses	122	118
	37,719	44,852

(a) Accounting policies of property, plant and equipment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Property, plant and equipment (Continued)

(a) Accounting policies of property, plant and equipment (Continued)

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

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

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

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

16 Leases

(a) Amounts recognised in the consolidated statements of financial position

	As at 31 December	
	2023 RMB’000	2022 RMB’000
Lease liabilities		
Current	22,521	20,172
Non-current	28,896	6,450
	51,417	26,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Leases (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets	24,372	26,648
Finance costs on lease liabilities	2,547	2,856
	26,919	29,504

(c) Amounts recognised in the consolidated statements of cash flows

During the years ended 31 December 2023 and 2022, the total cash outflows for leases were as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Cash outflows from operating activities		
Payments for short-term leases in respect of:		
– Properties	3,388	15,130
– Servers	10,228	12,428
	13,616	27,558
Cash outflows from financing activities		
Payment of principal and interest element of lease liabilities	26,659	29,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Intangible assets

	Goodwill RMB'000	Customer relationship RMB'000	Software RMB'000	Platform RMB'000	Brand name RMB'000	Total RMB'000
At 31 December 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
Year ended 31 December 2022						
Opening net book amount	439,117	40,940	3,403	542	35,472	519,474
Additions	-	-	340	-	-	340
Amortization charge	-	(13,739)	(621)	(542)	(8,225)	(23,127)
Closing net book amount	439,117	27,201	3,122	-	27,247	496,687
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
Year ended 31 December 2023						
Opening net book amount	439,117	27,201	3,122	-	27,247	496,687
Additions	-	-	389	-	-	389
Amortization charge	-	(9,600)	(630)	-	(7,981)	(18,211)
Closing net book amount	439,117	17,601	2,881	-	19,266	478,865
At 31 December 2023						
Cost	444,641	77,800	6,589	1,300	38,200	568,530
Accumulated amortization and impairment	(5,524)	(60,199)	(3,708)	(1,300)	(18,934)	(89,665)
Net book amount	439,117	17,601	2,881	-	19,266	478,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Intangible assets (Continued)

(a) Accounting policies of intangible assets

(i) Other intangible assets

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

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

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

(ii) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the software product so that it will be available for use; (2) management intends to complete the software product and use or sell it; (3) there is an ability to use or sell the software product; (4) it can be demonstrated how the software product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (6) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. There were no development costs meeting these criteria and capitalized as intangible assets for the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Intangible assets (Continued)

(a) Accounting policies of intangible assets (Continued)

(iii) Goodwill

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

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

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

The Group engaged an external valuer to assist them in carrying out the goodwill impairment assessment. Management determined the recoverable amounts of the CGUs based on the VIU, which is calculated using discounted cash flows based on five-year financial projections plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated termination growth rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Intangible assets (Continued)

(b) Impairment tests for goodwill

During the year, management adjusted and integrated certain businesses of the Group and as a result, Tuozhanbao's business was integrated into the Group's one-stop payment services business segment, while Leshua Shangquan's business was integrated into the Group's in-store e-commerce services segment. Therefore, for this year's impairment test, the goodwill relating to the acquisition of Tuozhanbao and Leshua Shangquan in previous years were allocated to the Group's one-stop payment services business segment and in-store e-commerce services segment, respectively. The goodwill allocation is as follows:

	RMB'000
One-stop payment services business segment	145,840
In-store e-commerce services segment	172,404
Chuangxinzhong CGU	120,873
	439,117

(i) Impairment test for goodwill related to one-stop payment services segment

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

Revenue growth rate during the forecast period	5.0%-8.0%
Gross profit margin during the forecast period	13.0%-14.3%
Terminal growth rate	2.5%
Pre-tax discount rate	20.4%

(1) Revenue growth rate and gross profit margin during the forecast period

Revenue growth rate and gross profit margin during the forecast period are determined by management of the Company based on past performance and the future business plan of one-stop payment services segment and synergies expected to be achieved after the aforementioned business integration of the Group.

(2) Terminal growth rate

A terminal growth rate of 2.5%, which is based on the long-term expected inflation rate, has been applied to the terminal year's cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Intangible assets (Continued)

(b) Impairment tests for goodwill (Continued)

(i) Impairment test for goodwill related to one-stop payment services segment (Continued)

(3) Pre-tax discount rate

20.4% pre-tax discount rate was applied, which reflected the nature and stage of development of the one-stop payment services segment.

(4) Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded its carrying value by approximately RMB1,035,450,000 as at 31 December 2023. Accordingly, no impairment provision was required to be made as at 31 December 2023. The Directors had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated revenue growth rate and estimated gross profit margin during the forecast period been 8.4% lower and 3.7% lower respectively, the recoverable amount would have been equal to the carrying amount.

(ii) Impairment test for goodwill related to in-store e-commerce services segment

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

Revenue growth rate during the forecast period	8.0%-50.0%
Gross profit margin during the forecast period	85.0%
Terminal growth rate	2.5%
Pre-tax discount rate	32.4%

(1) Revenue growth rate and gross profit margin during the forecast period

Revenue growth rate and gross profit margin during the forecast period are determined by management of the Company based on past performance and the future business plan of the in-store e-commerce services segment and synergies expected to be achieved after the aforementioned business integration of the Group.

(2) Terminal growth rate

A terminal growth rate of 2.5%, which is based on the expected inflation rate, has been applied to the terminal year's cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Intangible assets (Continued)

(b) Impairment tests for goodwill (Continued)

(ii) Impairment test for goodwill related to in-store e-commerce services segment (Continued)

(3) Pre-tax discount rate

32.4% pre-tax discount rate was applied, which reflected the nature and stage of development of the in-store e-commerce services segment.

(4) Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded its carrying value by RMB28,453,000 as at 31 December 2023. Accordingly, no impairment provision was required to be made as at 31 December 2023. The Directors had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated revenue growth rate and estimated gross profit margin during the forecast period, and estimated pre-tax discount rate been 1.1% lower, 2.9% lower and 2.3% higher respectively, the recoverable amount would have been equal to the carrying amount.

(iii) Impairment test for goodwill related to the acquisition of Chuangxinzhong

Goodwill acquired in a business combination is allocated to the CGU that are expected to benefit from that business combination. The Directors consider Chuangxinzhong as a separate CGU and the goodwill is allocated to the Chuangxinzhong CGU.

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

Revenue growth rate during the forecast period	5.0%-14.2%
Terminal growth rate	2.5%
Pre-tax discount rate	19.6%

(1) Revenue growth rate during the forecast period

Revenue growth rate is determined by management of the Company based on past performance and the future business plan of Chuangxinzhong and synergy expected to be achieved from the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Intangible assets (Continued)

(b) Impairment tests for goodwill (Continued)

(iii) Impairment test for goodwill related to the acquisition of Chuangxinzhong (Continued)

(2) Terminal growth rate

A terminal growth rate of 2.5%, which is based on the expected inflation rate, has been applied to the terminal year's cash flow.

(3) Pre-tax discount rate

19.6% pre-tax discount rate was applied, which reflected the nature and stage of development of the underlying business acquired and also the returns required by the Company in the acquisition.

(4) Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded its carrying value by approximately RMB15,249,000 as at 31 December 2023. Accordingly, no impairment provision was required to be made as at 31 December 2023. The Directors had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated revenue growth rate during the forecast period and estimated pre-tax discount rate been 0.5% lower, and 0.4% higher respectively, the recoverable amount would have been equal to the carrying amount.

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Cost of revenue	7,575	11,839
Administrative expenses	10,636	11,288
	18,211	23,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Other non-current assets

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Payment terminals	185,199	158,253

The costs of payment terminals are amortized over 3 years in accordance with the expected benefit period. The amortization of payment terminals is charged to cost of revenue according to the provisions prescribed under IFRS15.

19 Financial instruments by category

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Financial assets-amortized cost		
- Trade receivables	355,059	274,642
- Other receivables	2,282,095	2,339,666
- Loan receivables	882,332	588,218
- Cash and cash equivalents	887,909	1,591,508
- Restricted cash	2,097,246	891,916
- Long-term bank deposits	80,996	-
	6,585,637	5,685,950
Financial assets at FVPL	840,936	648,556
Financial liabilities-amortized cost		
- Trade payables	274,711	252,021
- Other payables (excluding accrual for payroll and welfare allowances, interest payable and other taxes payable)	3,942,052	2,895,300
- Lease liabilities	51,417	26,622
- Convertible bonds	405,539	379,320
- Bank and other borrowings	780,062	680,390
	5,453,781	4,233,653
Financial liabilities at FVPL	24,880	30,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Financial assets at FVPL

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Current assets		
Investment in listed entities (a)	13,594	14,384
Non-current assets		
Investment in unlisted entities (b)	817,338	620,764
Contingent assets	10,004	13,408
	827,342	634,172
	840,936	648,556

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	648,556	387,197
Acquisition of a subsidiary	–	284,164
Additions	45,864	3,774
Disposal (c)	(17,277)	(125,315)
Changes in fair value	163,850	91,605
Currency translation differences	(57)	7,131
At the end of the year	840,936	648,556

- (a) The balance represented the Group's investments in equity interests of several listed companies on the Hong Kong Main Board of The Stock Exchange of Hong Kong Limited and the New York Stock Exchange, USA.
- (b) The balance primarily comprised the Group's investments in preferred shares and financial instrument related to Fushi Technology (Shenzhen) Co., Ltd. ("Fushi") amounting to approximately RMB731,898,000 as at 31 December 2023 (31 December 2022: RMB558,553,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Financial assets at FVPL (Continued)

- (c) In 2023, the disposal mainly sold stock of a company listed on the New York Stock Exchange. In 2022, the disposal mainly represented the derecognition of the derivative financial instrument asset relating to certain equity interests in IVP Growth, which was previously recorded in financial assets at FVPL, upon the acquisition of IVP Growth.
- (d) Accounting policies of financial assets
- (i) Classification

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

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

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

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

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

- (ii) Measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Financial assets at FVPL (Continued)

- (d) Accounting policies of financial assets (Continued)
- (ii) Measurement (Continued)

Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains - net" together with foreign exchange gains and losses. Impairment losses, if any, are presented as separate line item in profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "other (losses)/gains - net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains - net" and impairment expenses, if any, are presented as separate line item in profit or loss.
- **Financial assets at FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other (losses)/gains - net" in the period in which it arises.

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Financial assets at FVPL (Continued)

- (d) Accounting policies of financial assets (Continued)
- (ii) Measurement (Continued)

Equity instruments (Continued)

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

- (iii) Impairment

The Group has following assets subject to the expected credit loss model with IFRS 9:

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

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

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

Impairment on other receivables and loan receivables are measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Financial assets at FVPL (Continued)

- (d) Accounting policies of financial assets (Continued)
- (iv) Derecognition

Financial assets

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

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

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

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

Other financial liabilities

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

- (v) Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Long-term bank deposits

An analysis of the Group's long term bank deposits as at 31 December 2023 and 2022 are analysed as blow:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Denominated in: RMB	80,996	-

Long-term bank deposits represent bank deposits with original maturities ranging from 2 to 3 years and are redeemable on maturity, which are neither past due nor impaired. As at 31 December 2023, the carrying amounts of the long-term deposits approximated their fair values.

The effective interest rates of the long-term bank deposits ranged from 2.6% to 3.0% per annum as at 31 December 2023.

22 Trade receivables

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables	376,012	304,173
Less: Allowance for expected credit loss (Note 3.1(b))	(20,953)	(29,531)
	355,059	274,642

(a) The carrying amounts of the trade receivables balances were approximate to their fair value as at 31 December 2023 and 2022. All the trade receivables balances were denominated in RMB.

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. Information about the impairment of trade receivables and the Group's exposure to credit risk has been disclosed in Note 3.1(b).

As at 31 December 2023, RMB7,000,000 of trade receivables were pledged for certain bank borrowings of the Group (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Trade receivables (Continued)

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Up to 3 months	348,177	209,237
3 to 6 months	9,684	7,733
6 to 12 months	614	77,081
Over 1 year	17,537	10,122
	376,012	304,173

23 Prepayments and other receivables

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Prepayments for:		
Land use rights	37,930	17,044
Payment terminals	-	7,051
Others	1,000	-
Sub-total	38,930	24,095
Other receivables		
Deposits	4,696	2,500
Less: allowance for impairment of other receivables (Note 3.1(b))	(1,264)	(1,008)
Sub-total	3,432	1,492
	42,362	25,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Prepayments and other receivables (Continued)

(b) Prepayments and other receivables in current assets

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Prepayments		
Prepayments for SaaS terminals	1,152	3,997
Prepayments to media publishers and advertising agents	4,156	7,110
Others	12,295	13,262
Less: allowance for impairment of prepayments	(4,095)	(4,453)
Sub-total	13,508	19,916
Other receivables		
Receivables from payment networks (i)	1,795,303	1,886,538
Amounts due from related parties (Note 38(b))	318,312	270,381
Amounts due from business partners (ii)	26,361	109,933
Deposits placed with financial institutions	33,663	39,943
Deposits on lease and others	45,763	31,332
Payment network deposits	1,040	1,390
Others	100,676	35,998
Less: allowance for impairment of other receivables (Note 3.1(b))	(42,455)	(37,341)
Sub-total	2,278,663	2,338,174
	2,292,171	2,358,090

- (i) The balance mainly represents funds processed by the Group during the process of providing its one-stop payment services and in-store ecommerce 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.
- (iii) The carrying amounts of the other receivables balances approximate their fair value as at 31 December 2023 and 2022. Prepayments and other receivables balances were mainly denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Loan receivables

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Loan receivables (i)	926,099	603,054
Less: allowance for impairment of loan receivables (Note 3.1(b))	(43,767)	(14,836)
	882,332	588,218

- (i) The loan receivables mainly comprise micro-credit loans and small-sized loans to various borrowers provided by the Group itself or through various financial institutions. The loans bore interest rate from 6% to 36% per annum and with lending periods of less than one year. As at 31 December 2023, approximately RMB590,000,000 (2022:RMB502,500,000) of the loan receivables were either guaranteed or secured.
- (ii) The Group has lent to a large number of borrowers. None of the loan advanced to a single borrower contributed 10% or more of the Group's loan receivables during the years ended 31 December 2023 and 2022.

25 Cash and cash equivalents

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash at bank and in hand	2,985,155	2,483,424
Less: restricted cash (a)	(2,097,246)	(891,916)
	887,909	1,591,508

- (a) Restricted cash mainly represents payments made by consumers and collected by the Group on behalf of merchants in connection with the provision of the Group's one-stop payment services, and is denominated in RMB.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
RMB	539,838	1,078,883
USD	245,149	379,968
HKD	101,583	127,554
Other currencies	1,339	5,103
	887,909	1,591,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Cash and cash equivalents (Continued)

(b) Accounting policies of cash and cash equivalents

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

26 Share capital and share premium

Authorized:

	Number of shares	Nominal value	
		In USD	In RMB equivalent
Balance at 31 December 2023 and 2022	1,000,000,000	25,000	176,988

Issued:

	Number of shares	Nominal value		Share premium	Total
		In USD'000	In RMB'000 equivalent		
As at 1 January 2022	451,902,842	11	76	3,148,633	3,148,709
Transfer shares to awardees upon vesting	-	-	-	9,789	9,789
Issuance of new shares to non-controlling shareholders of Chuangxinzhong	(5,359,200)	-	(1)	(88,558)	(88,559)
As at 31 December 2022	446,543,642	11	75	3,069,864	3,069,939
As at 1 January 2023	446,543,642	11	75	3,069,864	3,069,939
Transfer shares to awardees upon vesting	-	-	-	34,397	34,397
Buy-back of shares for the purpose of cancellation (a)	(550,800)	-	-	(10,143)	(10,143)
As at 31 December 2023	445,992,842	11	75	3,094,118	3,094,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Share capital and share premium (Continued)

Issued: (Continued)

Note:

- (a) During the year ended 31 December 2023, 3,001,600 shares were repurchased for the purpose of cancellation at par value of US\$0.000025 per share for a total cash consideration of approximately HKD45,455,000 (equivalent to approximately RMB41,678,000), details are as follows:

Month/Year	Number of shares	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid
		In HKD	In HKD	In HKD
Jan-23	21,200	21.25	20.50	442,520
Aug-23	1,846,000	15.88	14.50	28,097,536
Sep-23	1,134,400	15.54	14.24	16,914,960

Among the shares repurchased in 2022 and 2023, 550,800 shares were cancelled in 2023, which resulted in a decrease of share capital and share premium amounted to RMB10,143,000. The consideration paid related to the remaining 2,980,400 shares amounted to RMB31,535,000, which have not been cancelled as at 31 December 2023, was recognized in reserves (Note 27).

- (b) During the year ended 31 December 2023, 7,280,400 shares were repurchased for the purpose of share award schemes at par value of US\$0.000025 per share for a total cash consideration of approximately HKD113,309,000 (equivalent to RMB103,804,000), details are as follows:

Month/Year	Number of shares	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		In HKD	In HKD	In HKD
Jan-23	36,000	21.50	20.43	748,552
Jun-23	1,857,600	18.78	16.79	33,023,927
Jul-23	228,000	18.00	17.40	4,061,225
Aug-23	1,018,000	16.80	14.24	15,548,222
Sep-23	946,400	14.98	14.34	13,943,459
Oct-23	1,904,400	15.76	13.68	27,671,972
Nov-23	381,200	16.30	13.72	5,693,548
Dec-23	908,800	14.72	13.26	12,618,130

- (c) As at 31 December 2023 and 2022, 76,926,283 shares and 70,370,616 shares were held by restricted share units' nominees, being Yeah United and Yeah Talent, both of which are controlled and consolidated by the Group as structured entities and the above shares held by them for the purpose of restricted share award schemes are recorded as treasury shares and included in reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Reserves

	Reserves							Total RMB'000
	Treasury shares	Statutory reserves	Currency translation differences	Other comprehensive income	Share-based compensation reserve	Conversion option reserve	Other reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2023	(1,147,025)	55,008	(110,521)	529	95,907	97,861	(208,169)	(1,216,410)
Transfer shares to awardees of employee share scheme upon vesting	-	-	-	-	(46,182)	-	-	(46,182)
Buy-back of shares for the purpose of cancellation (Note 26(a))	(31,535)	-	-	-	-	-	-	(31,535)
Buy-back of shares for the purpose of share award schemes (Note 26(b))	(103,804)	-	-	-	-	-	-	(103,804)
Profit appropriations to statutory reserves	-	4,091	-	-	-	-	-	4,091
Profit appropriations to risk reserves	-	58	-	-	-	-	-	58
Currency translation differences	-	-	3,292	-	-	-	-	3,292
Share of other comprehensive income of investment accounted for using the equity method	-	-	-	(40)	-	-	-	(40)
Share award schemes-value of employee services (Note 35(b))	-	-	-	-	77,653	-	-	77,653
Share option schemes-value of employee services (Note 35(a))	-	-	-	-	2,276	-	-	2,276
As at 31 December 2023	(1,282,364)	59,157	(107,229)	489	129,654	97,861	(208,169)	(1,310,601)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Reserves (Continued)

	Reserves							Total RMB'000
	Treasury shares	Statutory reserves	Currency translation differences	Other comprehensive income	Share-based compensation reserve	Conversion option reserve	Other reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2022	(387,986)	46,545	(172,987)	432	61,359	-	(208,169)	(660,806)
Transfer shares to awardees of employee share scheme upon vesting	-	-	-	-	(11,834)	-	-	(11,834)
Buy-back of shares for the purpose of cancellation	(9,751)	-	-	-	-	-	-	(9,751)
Buy-back of shares for the purpose of share award schemes	(749,288)	-	-	-	-	-	-	(749,288)
Profit appropriations to statutory reserves	-	8,110	-	-	-	-	-	8,110
Profit appropriations to risk reserves	-	353	-	-	-	-	-	353
Currency translation differences	-	-	62,466	-	-	-	-	62,466
Share of other comprehensive income of investment accounted for using the equity method	-	-	-	97	-	-	-	97
Equity component of convertible bonds (Note 34)	-	-	-	-	-	97,861	-	97,861
Share award schemes-value of employee services (Note 35(b))	-	-	-	-	15,136	-	-	15,136
Share option schemes-value of employee services (Note 35(a))	-	-	-	-	31,246	-	-	31,246
As at 31 December 2022	(1,147,025)	55,008	(110,521)	529	95,907	97,861	(208,169)	(1,216,410)

- (a) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

28 Dividends

No dividends have been paid or declared by the Company for year ended 31 December 2023 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Contract liabilities

Contract liabilities represent deferred revenues arising from advertising fees, entry fees received from merchants, platform commission and fair value of unconsumed coupons sold to merchants for reduction against payment processing commissions, which are recognized as revenue based on the accounting policy set out in Note 6(b)(iv).

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	31,864	33,114
Received from merchants	95,691	261,830
Received from advertising customers	175,021	104,071
Revenue recognized	(276,503)	(367,151)
At the end of the year	26,073	31,864

As at 31 December 2023 and 2022, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of one year or less. Therefore, as permitted by the relevant practical expedient under IFRS 15, the transaction price allocated to these unsatisfied performance obligations was not disclosed.

30 Trade and other payables

(a) Trade and other payables in current liabilities

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade payables (i)	274,711	252,021
Other payables		
Payables to merchants (iii)	3,645,960	2,682,054
Employee benefit payables	60,200	81,041
Deposits from distribution channels (ii)	86,849	73,307
Other taxes payables	30,101	66,329
Amounts due to related parties (Note 38(b))	16,054	76
Interest payable on convertible bonds	14,602	14,359
Provision for regulatory fines (iv)	27,814	-
Others	165,375	139,863
	4,046,955	3,057,029
	4,321,666	3,309,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Trade and other payables (Continued)

(a) Trade and other payables in current liabilities (Continued)

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

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	158,512	159,174
3 to 6 months	30,520	9,768
Over 6 months	85,679	83,079
	274,711	252,021

- (ii) The amount represents refundable deposits placed by distribution channels with the Group when they signed up the distribution channel agreements with the Group. It would be refunded to the respective distribution channel upon expiration of the agreements.
- (iii) The balance represents funds processed by the Group for merchants, which are required to be settled with merchants upon the respective contractual settlement clearance dates.
- (iv) The Group's payment services business is subject to regulatory inspection from time to time, and the Group may be fined by the regulators due to regulatory breaches in the ordinary course of business. The Group has rectified and strengthened its internal controls in relation to regulatory compliance, and in the opinion of the directors of the Company, none of the regulatory breaches identified by the regulators will have significant adverse impact on the Group's operations.
- (v) As at 31 December 2023 and 2022, trade and other payables were mainly denominated in RMB and the fair values of these balances were approximated to their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Bank and other borrowings

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Current		
Bank borrowings (a)		
- unsecured with guarantee	723,062	615,390
- secured with guarantee	7,000	15,000
Borrowing from other non-banking financial institution (b)		
- unsecured with guarantee	50,000	50,000
	780,062	680,390

- (a) For the years ended 31 December 2023 and 2022, bank borrowings bore effective interest rate of 4.3% and 4.4% per annum, respectively. As at 31 December 2023 and 2022, all bank borrowings were repayable within one year.

As at 31 December 2023, bank borrowings of RMB248,000,000 of Shenzhen Yeahka was guaranteed by Leshua and the Company.

As at 31 December 2023, bank borrowings of RMB440,000,000 of Leshua was guaranteed by Shenzhen Yeahka and the Company.

As at 31 December 2023, bank borrowings of RMB18,000,000 of Chuangxinzhong was guaranteed by Qin Lingjin (“**Mr. Qin**”). Bank borrowings of RMB7,000,000 of Chuangxinzhong was secured by pledge of certain trade receivables, and guaranteed by Tianjin Chuangxinzhong and Mr. Qin.

As at 31 December 2023, bank borrowings of RMB8,000,000 of Beijing Chuangxinhe Technology Co., Ltd. was guaranteed by Beijing Capital Financing Guarantee Co., Ltd, Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. and Mr. Qin.

As at 31 December 2023, bank borrowings of RMB9,062,000 of Yeahka Limited was guaranteed by Shenzhen Yeahka.

As at 31 December 2022, bank borrowings of RMB171,500,000 of Shenzhen Yeahka was guaranteed by Leshua, Feiquan Cloud and the Company.

As at 31 December 2022, bank borrowings of RMB413,445,000 of Leshua was guaranteed by Shenzhen Yeahka, Feiquan Cloud and the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Bank and other borrowings (Continued)

As at 31 December 2022, bank borrowings of RMB25,000,000 of Chuangxinzhong was guaranteed by Beijing Guohua Wenke Financing Guarantee Co., Ltd., Beijing Zhongguancun Technology Financing Guarantee Co., Ltd., Beijing SMEs Financing Re-guarantee Co., Ltd.. Bank borrowings of RMB15,000,000 of Chuangxinzhong was secured by pledge of certain trade receivables, and guaranteed by Tianjin Chuangxinzhong and Mr. Qin.

As at 31 December 2022, bank borrowings of RMB5,445,000 of Qianhai Saosao was guaranteed by Feiquan Cloud.

- (b) As at 31 December 2023 and 2022, other borrowings of RMB50,000,000 of Feiquan Cloud bore effective interest rate of 6.8% per annum (2022: 8.6% per annum), and was guaranteed by Shenzhen Yeahka, Leshua and the Company.

32 Financial liabilities at FVPL

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Current liabilities		
Contingent consideration (a)	24,880	4,306
Non-current liabilities		
Contingent consideration and others (a)	-	25,867
	24,880	30,173

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	30,173	81,036
Settlement of the contingent consideration relating to the acquisition of Chuangxinzhong (b)	(25,624)	(28,390)
Changes in fair value	19,287	(27,925)
Currency translation differences	1,044	5,452
At the end of the year	24,880	30,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Financial liabilities at FVPL (Continued)

- (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.
- (b) During the year, cash consideration amounted to RMB25,624,000 (2022: RMB28,390,000) was paid by the Group in accordance with the payment schedule set out in the share purchase agreement as a result of the fulfillment of the guaranteed profit target for the year ended 30 November 2022.

33 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

(a) Deferred income tax assets

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Tax losses	38,523	27,191
Others	25,525	12,301
	64,048	39,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Deferred income tax (Continued)

(a) Deferred income tax assets (Continued)

The movement on the deferred tax assets without taking into consideration the offsetting of balance within the same tax jurisdiction is as follows:

	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2021	31,516	6,526	4,110	42,152
(Charged)/Credited to consolidated statement of comprehensive income	(4,325)	(4,144)	5,809	(2,660)
As at 31 December 2022	27,191	2,382	9,919	39,492
Credited to consolidated statement of comprehensive income	11,332	3,936	9,288	24,556
As at 31 December 2023	38,523	6,318	19,207	64,048

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profit is probable. As at 31 December 2023 and 2022, deferred tax assets associated with tax losses of approximately RMB5,618,000 and RMB3,574,000 of Yeahka Technology Limited (a Hong Kong subsidiary of the Group) had not been recognized, which can be carried forward against future taxable income with no expiry date. The Group only recognizes deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. The remaining tax losses of certain PRC group entities that had not been recognized as deferred tax assets can be carried forward against future taxable income will expire in the following years:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
2025	45,562	45,562
2026	53,603	53,603
2027	160,427	160,427
2028	139,694	-
	399,286	259,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Deferred income tax (Continued)

(b) Deferred income tax liabilities

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Intangible assets	7,590	11,076
Fair value changes of financial assets or liabilities at FVPL	70,668	45,778
Right of use assets	6,201	2,267
	84,459	59,121

The movement on the deferred tax liabilities without taking into consideration the offsetting of balance within the same tax jurisdiction is as follows:

	Intangible assets RMB'000	Fair value changes of financial assets and liabilities RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at 1 January 2022	15,823	26,815	6,231	48,869
(Credited)/debited to consolidated statement of comprehensive income	(4,747)	18,895	(3,964)	10,184
Currency translation differences	-	68	-	68
As at 31 December 2022	11,076	45,778	2,267	59,121
As at 1 January 2023	11,076	45,778	2,267	59,121
(Credited)/debited to consolidated statement of comprehensive income	(3,486)	24,890	3,934	25,338
As at 31 December 2023	7,590	70,668	6,201	84,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Deferred income tax (Continued)

(c) The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Total gross deferred income tax assets	64,048	39,492
Offsetting	(6,195)	(2,267)
Net deferred income tax assets	57,853	37,225
Total gross deferred income tax liabilities	84,459	59,121
Offsetting	(6,195)	(2,267)
Net deferred income tax liabilities	78,264	56,854

34 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Convertible bonds (Continued)

The convertible bonds recognized are calculated as follows:

	RMB'000
Face value of the convertible bonds on the issue date	470,974
Less: transaction costs	(13,915)
Net proceeds	457,059
Less: equity component (Note 27)	(97,861)
Liability component on initial recognition	359,198
Interest accrued at amortization cost	21,210
Coupon interest paid	(14,359)
Currency translation differences	13,271
Liability component at 31 December 2022	379,320
Liability component at 1 January 2023	379,320
Interest accrued at amortization cost	50,581
Coupon interest paid	(30,869)
Currency translation differences	6,507
Liability component at 31 December 2023	405,539

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 31 December 2023, there has been no conversion or redemption of the convertible bonds.

35 Share-based payments

(a) Share option schemes

In September 2020, the board of the Company proposed to adopt the share option scheme 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 proposal was approved by the general meeting of the Company in October 2020.

The Company has granted three batches of share options to employees and directors, on 7 January 2021, 12 May 2021 and 21 January 2022, respectively. The granted share options are vested evenly in 4 distributions within a 42-month, 4-year and 4-year period from vesting commencement, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Share-based payments (Continued)

(a) Share option schemes (Continued)

- (i) Movements in the number of share options granted to employees outstanding and their related weighted average exercise prices are as follows:

	No. of options	Average exercise price per share option (HKD)
Outstanding as at 1 January 2023	5,160,000	47.77
Forfeited during the year	(262,750)	38.81
Outstanding as at 31 December 2023	4,897,250	44.18
Vested and exercisable as at 31 December 2023	3,003,250	45.55
Outstanding as at 1 January 2022	4,728,000	47.77
Granted during the year	1,000,000	25.56
Forfeited during the year	(568,000)	43.75
Outstanding as at 31 December 2022	5,160,000	44.08
Vested and exercisable as at 31 December 2022	2,140,250	46.15

During year ended 31 December 2023 and 2022, all the forfeiture of share options prior to their respective expiry dates were due to the resignation of certain grantees.

The weighted-average remaining life for the above outstanding share options was 7.29 years as at 31 December 2023 (2022: 8.30 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Share-based payments (Continued)

(a) Share option schemes (Continued)

- (ii) Movements in the number of share options granted to directors outstanding and their related weighted average exercise prices are as follows:

	No. of options	Average exercise price per share option (HKD)
Outstanding as at 1 January 2023	400,000	44.20
Outstanding as at 31 December 2023	400,000	44.20
Vested and exercisable as at 31 December 2023	300,000	44.20
Outstanding as at 1 January 2022	400,000	44.20
Outstanding as at 31 December 2022	400,000	44.20
Vested and exercisable as at 31 December 2022	200,000	44.20

The weighted-average remaining life for the above outstanding share options was 7.02 years as at 31 December 2023 (2022: 8.02 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Share-based payments (Continued)

(a) Share option schemes (Continued)

- (ii) Movements in the number of share options granted to directors outstanding and their related weighted average exercise prices are as follows: (Continued)

The share-based compensation expenses recognized during the years ended 31 December 2023 and 2022 are summarised in the following table:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Employee options scheme – value of employee services	2,276	31,246

(b) Share award schemes

Under a stock incentive plan approved by the board of directors of the Company (the “**Share Award Plan**”), several batches of share options were granted to certain employees and directors.

In August 2019, the board of directors of the Company passed a resolution, according to which all outstanding options representing 34,109,384 shares of the Company granted under the Share Award Plan were converted into 34,109,384 shares of restricted share unit (“**RSU**”) granted to the same option holders, who became eligible participants under such scheme. There was no modification of terms or conditions which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original Share Award Plan. The Company granted additional 3,524,000 RSUs to other participants in August 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Share-based payments (Continued)

(b) Share award schemes (Continued)

Details of RSUs are as follows:

Grant date (yyyy/mm/dd)	Number of RSU after share subdivision	Vesting period	Exercise price	Expiration terms
2018/1/1	3,280,000	To be vested evenly within a 4-year period from vesting commencement	USD1.06	15 years from date of grant
2019/8/1	3,524,000	To be vested evenly with in a 4-year period from vesting commencement	USD1.62	Same as above
2021/1/7	390,000	To be vested evenly with in a 42 months period from vesting commencement	HKD16.64	Same as above
2022/1/21	1,500,000	Note i	HKD0.01	Same as above
2023/3/28	8,151,565	Note ii	HKD0.01	Same as above

Note i: There are two types of vesting schedules: (1) to be vested evenly in 4 distributions within a 4-year period from vesting commencement; (2) to be vested evenly in 5 distributions within a 4-year period from vesting commencement or two months after the commencement of the employment contract of the respective grantee.

Note ii: There are three types of vesting schedules: (1) to be vested evenly in 4 distributions within a 4-year period from vesting commencement; (2) to be vested evenly in 4 distributions within a 37 months period from vesting commencement; (3) to be vested evenly in 2 distributions within a 2-year period from vesting commencement.

The share-based compensation expenses recognized during the years ended 31 December 2023 and 2022 are summarized in the following table:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Employee share schemes – value of employee services	77,653	15,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Share-based payments (Continued)

(b) Share award schemes (Continued)

Movements in the number of RSUs outstanding and their related exercise prices:

	Average exercise price (RMB)	Number of RSUs
Outstanding balance as at 1 January 2023	5.14	2,033,760
Granted during the year	0.01	8,151,565
Vested during the year	4.25	(2,437,672)
Forfeited during the year	1.10	(292,880)
Outstanding balance as at 31 December 2023	0.14	7,454,773
- Vested but not transferred as at 31 December 2023	6.17	3,314,432
Outstanding balance as at 1 January 2022	10.20	2,780,500
Granted during the year	0.01	1,500,000
Vested during the year	9.04	(1,675,400)
Forfeited during the year	4.86	(571,340)
Outstanding balance as at 31 December 2022	5.14	2,033,760
- Vested but not transferred as at 31 December 2022	10.16	1,765,400

The fair value of the awarded shares was determined based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2023 was HKD24.84 per share (equivalent to approximately RMB21.75 per share) (2022: HKD24.69(RMB20.19)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Non-controlling interests

Set out below is summarized financial information of each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed of each subsidiary are those before inter-company eliminations.

	As at 31 December							
	Chuangxinzhong		Leshua Shangquan		Dingding Cultural		IVP Growth	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Summarized statement of financial position								
Current assets	332,020	235,573	38,280	44,251	42,685	56,079	-	-
Current liabilities	(119,164)	(92,965)	(227,661)	(199,665)	(302,969)	(308,065)	-	-
Current net assets/(liabilities)	212,856	142,608	(189,381)	(155,414)	(260,284)	(251,986)	-	-
Non-current assets	8,840	3,758	7,265	7,360	5,886	12,380	376,860	288,885
Non-current liabilities	(7,833)	(2,379)	-	-	(2,980)	(8,537)	-	-
Non-current net assets	1,007	1,379	7,265	7,360	2,906	3,843	376,860	288,885
Net assets	213,863	143,987	(182,116)	(148,054)	(257,378)	(248,143)	376,860	288,885
Accumulated non-controlling interests	34,323	25,066	(63,740)	(51,658)	(97,011)	(91,045)	35,823	27,825

	Year ended 31 December							
	Chuangxinzhong		Leshua Shangquan		Dingding Cultural		IVP Growth	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Summarized statement of comprehensive income								
Revenue	125,865	67,441	3,913	35,638	97,863	342,228	-	-
Profit/(loss) for the period	69,875	38,312	(34,062)	(37,566)	(9,234)	(114,623)	(87,975)	4,452
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	69,875	38,312	(34,062)	(37,566)	(9,234)	(114,623)	(87,975)	4,452
Profit/(loss) allocated to non-controlling interests	9,257	4,523	(12,082)	(13,473)	(5,966)	(48,159)	7,998	405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Non-controlling interests (Continued)

	Year ended 31 December							
	Chuangxinzhong		Leshua Shangquan		Dingding Cultural		IVP Growth	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Summarized statement of cash flows								
Cash flows from operating activities	(28,410)	(25,106)	(11,443)	(5,839)	(152,006)	(137,816)	11	10
Cash flows from investing activities	-	-	-	-	526	(188)	-	-
Cash flows from financing activities	4,493	23,759	1,536	(352)	149,924	136,565	-	-
Net increase/(decrease) in cash and cash equivalents	(23,917)	(1,347)	(9,907)	(6,191)	(1,556)	(1,439)	11	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Notes to consolidated statement of cash flows

(a) Cash (used in)/generated from operations

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Profit before income tax	35,434	122,458
Adjustments for:		
Depreciation of property, plant and equipment	37,719	44,852
Amortization of intangible assets	18,211	23,127
Amortization of other non-current assets	94,980	43,650
Gains on disposal of property, plant and equipment	(452)	(663)
Net impairment losses on financial assets	57,843	48,701
Impairment (reversal)/charges on prepayments	(358)	3,892
Equity-settled share-based payments	79,929	46,382
Shares of profits of associates	(357)	(8,098)
Gains on deemed disposal of an associate	-	(560)
Net fair value gains on financial assets and liabilities at FVPL	(144,563)	(119,530)
Gains on disposal of financial assets at FVPL	(1,671)	-
Interest expenses on convertible bonds	50,581	21,210
Interest expenses on bank and other borrowings	36,809	28,400
Interest expenses on leases	2,547	2,856
Interest income	(40,100)	(26,522)
Changes in working capital:		
(Increase)/decrease in trade receivables	(71,839)	97,173
Decrease/(increase) in prepayments and other receivables	101,305	(455,320)
Increase in loan receivables	(355,170)	(32,846)
Decrease in inventories	4,169	3,262
Decrease/(increase) in other current assets	17,312	(16,890)
Increase in restricted cash	(1,205,330)	(189,370)
Increase in trade and other payables	1,007,495	577,800
Decrease in contract liabilities	(7,875)	(1,250)
Cash (used in)/generated from operations	(283,381)	212,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Notes to consolidated statement of cash flows (Continued)

(b) Non-cash investing and financing activities

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Additions in right-of-use assets	52,368	20,818
Derecognition of derivative financial instrument asset relating to the acquisition of IVP Growth	-	122,182
	52,368	143,000

(c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of net debt cash and the movements in net debt cash for each of the years presented.

Net (debt)/cash

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	887,909	1,591,508
Convertible bonds	(405,539)	(379,320)
Bank and other borrowings	(780,062)	(680,390)
Lease liabilities	(51,417)	(26,622)
Net (debt)/cash	(349,109)	505,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Notes to consolidated statement of cash flows (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Other assets	Liabilities from financing activities			Total RMB'000
	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	
Net cash as at 1 January 2023	1,591,508	(26,622)	(680,390)	(379,320)	505,176
Cash flows	(711,135)	26,659	(99,672)	(30,367)	(814,515)
Other non-cash movements	7,536	(51,454)	-	4,148	(39,770)
Net cash as at 31 December 2023	887,909	(51,417)	(780,062)	(405,539)	(349,109)
Net cash as at 1 January 2022	2,057,872	(41,754)	(509,500)	-	1,506,618
Cash flows	(541,213)	29,868	(170,890)	(467,152)	(1,149,387)
Other non-cash movements	74,849	(14,736)	-	87,832	147,945
Net cash as at 31 December 2022	1,591,508	(26,622)	(680,390)	(379,320)	505,176

38 Significant related party transactions

Parties are related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following parties are related parties of the Group that had significant transactions and/or balances with the Group during the years ended and as at 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Significant related party transactions (Continued)

Name of the related parties	Nature of relationship
Xun Xiang	Associate of the Group
Zhizhanggui	Associate of the Group
Chao Meng	Associate of the Group
RYK	Associate of the Group
Fushi	Associate of the Group
Source Winner Limited, Bright Usening Limited, Better One Limited, Nice Globe Limited, Summer.A Limited (collectively as “ Founders of Chuangxinzhong ”)	Entities controlled by Chuangxinzhong’s non-controlling shareholders
Tianjin Pinghe Management Consulting Partnership (Limited Partnership)	An entity controlled by Chuangxinzhong’s non-controlling shareholders
Ren Yangbin (“ Mr. Ren ”)	Key management person of a subsidiary
Sun Yang (“ Mr. Sun ”)	Key management person of a subsidiary
Mr. Qin	Minority shareholder and key management person of a subsidiary

(a) Continuing transactions with related parties

(i) Technology service income

	Year ended 31 December	
	2023 RMB’000	2022 RMB’000
RYK	1,692	2,031
Fushi	44,519	84,611
	46,211	86,642

(ii) Interest income

	Year ended 31 December	
	2023 RMB’000	2022 RMB’000
Zhizhanggui	1,152	-
Fushi	-	14
	1,152	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Significant related party transactions (Continued)

(a) Continuing transactions with related parties (Continued)

(iii) Commissions to distribution channels

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fushi	362,987	184,911
Zhizhanggui	3,341	1,406
Xun Xiang	1,626	1,579
	367,954	187,896

(iv) Marketing service costs

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fushi	8,528	5,405
Zhizhanggui	-	2,819
	8,528	8,224

(v) Cost of goods sold

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Zhizhanggui	657	7

(vi) Marketing service income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Zhizhanggui	2,152	1,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Significant related party transactions (Continued)

(a) Continuing transactions with related parties (Continued)

(vii) Loan to associates

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Zhizhanggui	38,000	8,000
Fushi	-	84,000
	38,000	92,000

In 2023, the Group offered operational loan of RMB38,000,000 (2022: RMB8,000,000) to Zhizhanggui with interest of 4.38% per annum with a term of 12 months.

(b) Balances with related parties

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Investments in preferred shares and financial instruments of Fushi (Note 20)	731,898	558,553
Trade receivables		
Zhizhanggui	162	2,259
Fushi	38,591	18,646
	38,753	20,905
Less: allowance for impairment of amount due from related parties	(980)	(2,296)
	37,773	18,609
Other receivables		
Mr. Ren	420	1,000
Mr. Sun	2,000	2,000
Zhizhanggui		
- Loan to Zhizhanggui (Note 38(a)(vii))	46,000	8,000
- Others	138,641	139,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Significant related party transactions (Continued)

(b) Balances with related parties (Continued)

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Fushi		
- Loan to Fushi (Note 38(a)(vii))	68,000	68,000
- Others	34,871	22,483
Chao Meng	27,870	28,551
RYK	510	791
	318,312	270,381
Less: allowance for amount due from Chao Meng	(27,870)	(28,551)
Less: allowance for impairment of amount due from other related parties	(3,970)	(1,724)
	286,472	240,106
Trade payables		
Zhizhanggui	6,283	2,207
Fushi	20,568	26,445
	26,851	28,652
Other payables		
Zhizhanggui	780	76
Fushi	15,274	-
	16,054	76

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Significant related party transactions (Continued)

(b) Balances with related parties (Continued)

	As at 31 December	
	2023 RMB'000	2022 RMB'000
- Financial liabilities at FVPL Tianjin Pinghe Management Consulting Partnership (Limited Partnership) (Note 32)	24,880	30,173
- Financial guarantee received from Mr. Qin	33,000	40,000

(c) Terms and conditions

The above transactions with related parties were made on normal commercial terms and conditions and market rates.

Except from loans to Zhizhanggui which are interest bearing (Note 38(a)(vii)), all other outstanding balances with related parties are interest-free, unsecured and repayable on demand.

(d) Key management personnel compensation

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Wages and salaries	3,317	3,305
Discretionary bonuses	1,612	3,970
Welfare, medical and other expenses	316	366
Defined contribution plans	268	306
Employee share schemes – value of employee services	5,257	5,575
	10,770	13,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Benefits and interests of Directors

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2023 and 2022, are set out as follows:

Year ended 31 December 2023:

Name	Director's fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employee share schemes - value of employee services RMB'000	Social security and housing fund RMB'000	Total RMB'000
Executive Directors:							
Mr. Liu Yingqi*	-	581	348	-	-	154	1,083
Mr. Yao Zhijian	-	1,020	561	-	3,061	159	4,801
Mr. Luo Xiaohui	-	1,235	420	-	1,539	159	3,353
Non-Executive Directors:							
Mr. Mathias Nicolaus Schilling**	-	-	-	-	-	-	-
Mr. Akio Tanaka	-	-	-	-	-	-	-
Independent Non-Executive Directors:							
Mr. Tam Bing Chung Benson	225	-	-	-	-	-	225
Mr. Yao Wei	225	-	-	-	-	-	225
Mr. Yang Tao	225	-	-	-	-	-	225
	675	2,836	1,329	-	4,600	472	9,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Benefits and interests of Directors (Continued)

Year ended 31 December 2022:

Name	Director's fee RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employee share schemes - value of employee services RMB'000	Social security and housing fund RMB'000	Total RMB'000
Executive Directors:							
Mr. Liu Yingqi*	-	570	1,327	-	-	151	2,048
Mr. Yao Zhijian	-	1,020	1,451	-	2,898	151	5,520
Mr. Luo Xiaohui	-	1,236	793	-	1,357	151	3,537
Non-Executive Directors:							
Mr. Mathias Nicolaus Schilling**	-	-	-	-	-	-	-
Mr. Akio Tanaka	-	-	-	-	-	-	-
Independent Non- Executive Directors:							
Mr. Tam Bing Chung Benson	225	-	-	-	-	-	225
Mr. Yao Wei	225	-	-	-	-	-	225
Mr. Yang Tao	225	-	-	-	-	-	225
	675	2,826	3,571	-	4,255	453	11,780

* Liu Yingqi is the CEO of the company.

** Mr. Mathias Nicolaus Schiling resigned on 5 June 2023.

There was no director received or receivable of any emolument from the Group as an inducement to join or upon joining, leave the Group or as compensation for loss of office; no directors and senior management waived or has agreed to waive any emoluments for the years ended 31 December 2023 and 2022.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2023 and 2022.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Benefits and interests of Directors (Continued)

There were no loans, quasi-loans or other dealings entered into by the Company in favour of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2023 and 2022, respectively.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2023 and 2022.

40 Financial Position of the Company and Notes to Financial Position of the Company

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries and associates	40(a)	662,502	662,502
Financial assets at fair value through profit or loss	40(b)	20,694	30,283
Property, plant and equipment		165	595
		683,361	693,380
Current assets			
Other receivables	40(c)	1,197,442	1,145,370
Financial assets at fair value through profit or loss	40(b)	5,305	14,384
Cash and cash equivalents	40(d)	168,491	382,282
		1,371,238	1,542,036
Total assets		2,054,599	2,235,416
EQUITY			
Share capital and share premium		3,094,193	3,069,939
Reserves	40(e)	(1,106,392)	(1,014,390)
Accumulated losses		(607,241)	(432,630)
Total equity		1,380,560	1,622,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Financial Position of the Company and Notes to Financial Position of the Company (Continued)

	Note	As at 31 December	
		2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Convertible bonds	34	405,539	379,320
Current liabilities			
Other payables	40(f)	259,438	233,177
Borrowing		9,062	-
		268,500	233,177
Total liabilities		674,039	612,497
Total equity and liabilities		2,054,599	2,235,416

The financial position of the Company was approved by the Board of Directors on 21 March 2024 and was signed on its behalf.

Liu Yingqi
Director

Yao Zhijian
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Financial Position of the Company and Notes to Financial Position of the Company (Continued)

(a) Investments in subsidiaries and associates

The subsidiaries and associates of the Company as at 31 December 2023 and 2022 are disclosed in Notes 1.2 and 14.

(b) Financial assets at FVPL

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Opening balance	44,667	116,606
Addition	35,864	3,774
Disposal	(17,277)	(125,315)
Changes in fair value	13,858	41,915
Currency translation differences	(51,113)	7,687
Closing balance	25,999	44,667
Representing:		
Current portion	5,305	14,384
Non-current portion	20,694	30,283
	25,999	44,667

(c) Other receivables

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Amount due from a related party	1,109,484	1,069,283
Others	87,958	76,087
	1,197,442	1,145,370

(d) Cash and cash equivalents

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash at bank	168,491	382,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Financial Position of the Company and Notes to Financial Position of the Company (Continued)

(d) Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
USD	143,421	355,643
HKD	25,070	21,719
JPY	-	4,920
	168,491	382,282

(e) Reserves

	Reserves				Total RMB'000
	Treasury shares RMB'000	Currency translation differences RMB'000	Share-based Compensation reserve RMB'000	Conversion option reserve RMB'000	
As at 1 January 2023	(1,147,025)	(61,133)	95,907	97,861	(1,014,390)
Buy-back of shares for the purpose of cancellation (Note 26(a))	(31,535)	-	-	-	(31,535)
Buy-back of shares for the purpose of share award schemes (Note 26(b))	(103,804)	-	-	-	(103,804)
Transfer shares to awardees of employee share scheme upon vesting	-	-	(46,182)	-	(46,182)
Currency translation differences	-	9,590	-	-	9,590
Share award schemes-value of employee services (Note 35(b))	-	-	77,653	-	77,653
Share option schemes-value of employee services (Note 35(a))	-	-	2,276	-	2,276
As at 31 December 2023	(1,282,364)	(51,543)	129,654	97,861	(1,106,392)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Financial Position of the Company and Notes to Financial Position of the Company (Continued)

(e) Reserves (Continued)

	Reserves				
	Treasury shares	Currency translation differences	Share-based Compensation reserve	Conversion option reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	(387,986)	(184,641)	61,359	-	(511,268)
Buy-back of shares for the purpose of cancellation	(9,751)	-	-	-	(9,751)
Buy-back of shares for the purpose of share award schemes	(749,288)	-	-	-	(749,288)
Transfer shares to awardees of employee share scheme upon vesting	-	-	(11,834)	-	(11,834)
Equity component of convertible bonds (Note 34)	-	-	-	97,861	97,861
Currency translation differences	-	123,508	-	-	123,508
Share award schemes-value of employee services (Note 35(b))	-	-	15,136	-	15,136
Share option schemes-value of employee services (Note 35(a))	-	-	31,246	-	31,246
As at 31 December 2022	(1,147,025)	(61,133)	95,907	97,861	(1,014,390)

(f) Other payables

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Amounts due to related parties	239,495	217,143
Others	19,943	16,034
	259,438	233,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies

41.1 Subsidiaries

41.1.1 Consolidation

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position, respectively.

(a) *Subsidiaries controlled through contractual arrangements*

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

- Exercise effective control over Shenzhen Yeahka;
- Exercise equity holders' voting rights of Shenzhen Yeahka;
- Receive substantially all the economic interests and returns generated by Shenzhen Yeahka and its subsidiaries in consideration for technical support, consulting and other services provided exclusively by Yeahka WFOE, at Yeahka WFOE's discretion;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.1 Subsidiaries (Continued)

41.1.1 Consolidation (Continued)

(a) *Subsidiaries controlled through contractual arrangements (Continued)*

- Obtain an irrevocable and exclusive right to purchase all equity interests in Shenzhen Yeahka from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Shenzhen Yeahka shall return the amount of purchase consideration they have received to Yeahka WFOE. At Yeahka WFOE's request, the registered shareholders of Shenzhen Yeahka will promptly and unconditionally transfer their respective equity interests in Shenzhen Yeahka to Yeahka WFOE (or its designee within the Group) after Yeahka WFOE exercises its purchase right.
- Obtain pledges over the entire equity interests in Shenzhen Yeahka from its registered shareholders to secure, among others, performance of their obligations under the contractual arrangements.

(b) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in reserve within equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.1 Subsidiaries (Continued)

41.1.1 Consolidation (Continued)

(c) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.1 Subsidiaries (Continued)

41.1.1 Consolidation (Continued)

(c) Business combinations (Continued)

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

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

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

41.1.2 Separate financial statements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.2 Associates

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

Investments in associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.2 Associates (Continued)

Investments in associates (Continued)

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

41.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.3 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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

(c) Group companies

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting currency translation differences are recognized as a separate component of other comprehensive income.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.4 Trade receivables, other receivables and loan receivables

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

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Other receivables and loan receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 3.1 for the Group's impairment policy for trade receivables, other receivables and loan receivables.

41.5 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the employee share trust are disclosed as treasury shares and deducted from contributed equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.6 Financial assets

Financial guarantee contracts

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

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

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

41.7 Trade and other payables

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.8 Borrowings

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

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

41.9 Borrowing costs

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

41.10 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holders with number of shares to be issued by the Group would not vary with changes in their fair value.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.10 Compound financial instruments (Continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or maturity.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

41.11 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.11 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Inside basis differences (Continued)

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

Outside basis differences

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

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

(c) *Offsetting*

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

41.12 Employee benefits

(a) *Employee leave entitlements*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.12 Employee benefits (Continued)

(b) Pension obligations

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

(c) Termination benefits

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

(d) Share-based benefits

As disclosed in Note 35, the Group operates several equity-settled share-based compensation plans (including share option scheme and share award scheme), under which the Group receives services from its employees in exchange for the equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and retention periods of an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.12 Employee benefits (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.13 Provisions

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

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

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

41.14 Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.15 Leases

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of other potentially material accounting policies (Continued)

41.16 Segment reporting

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

41.17 Dividend distribution

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

42 Contingencies

Saves as disclosed elsewhere in the financial statements, the Group had no material contingent liabilities outstanding as at 31 December 2023.

43 Capital commitment

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Contracted but not provided for:		
Construction of office building	5,677	-
Purchase of land use rights	-	17,044
	5,677	17,044

44 Events after balance sheet date

There were no material subsequent events during the period from 1 January 2024 to the date of these consolidated financial statements approved by the Board on 21 March 2024.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“AGM”	the annual general meeting of the Company to be held on Wednesday, June 5, 2024
“Articles of Association”	the articles of association of the Company (as amended from time to time) adopted on April 30, 2020
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of Directors of the Company
“business day(s)”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“China” or “PRC”	the People’s Republic of China
“Companies Act”	the Companies Act, Cap. 22 of the Cayman Islands (as amended or supplemented or otherwise modified from time to time)
“Company”, “our Company” or “the Company”	YEAHKA LIMITED (移卡有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 8, 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Contractual Arrangements”	a series of contractual arrangements entered into on October 29, 2019 by, among others, Yeahka WFOE, the PRC Consolidated Entities and their respective shareholders, details of which are described in the section headed “Directors’ Report — Connected Transactions — Continuing Connected Transactions — Contractual Arrangements” in this annual report

“Creative Brocade”	Creative Brocade Ltd., an exempted company incorporated in the BVI with limited liability on September 7, 2011 and wholly-owned by Mr. Liu, and one of our controlling shareholders
“Creative Brocade International”	Creative Brocade International Limited, an exempted company incorporated in the BVI with limited liability on November 15, 2019 and held as to 99.9% by Brocade Creation and 0.1% by Creative Brocade, and one of our controlling shareholders
“Director(s)”	the director(s) of the Company
“ESG”	environmental, social and governance
“ESG Committee”	the environmental, social and governance committee of the Company
“Fushi”	Fushi Technology (Shenzhen) Co., Ltd (深圳市富匙科技有限公司), a company established in the PRC on April 12, 2016 with limited liability
“GMV”	gross merchandise value
“GPV”	gross payment volume
“Group”, “our Group”, “we”, “our” or “us”	our Company, its subsidiaries and the PRC Consolidated Entities from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangzhou Feiquan”	Guangzhou Feiquan Micro Lending Co., Ltd. (廣州飛泉小額貸款有限公司), a limited company established in the PRC on July 30, 2019, a wholly-owned subsidiary of Shenzhen Yeahka, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong” or “Hong Kong Special Administrative Region”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Leshua Technology”	Leshua Technology Co., Ltd. (樂刷科技有限公司), a limited liability company established under the laws of the PRC on July 31, 2013, a wholly-owned subsidiary of Shenzhen Yeahka, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, being June 1, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum”	the memorandum of association of our Company (as amended from time to time), adopted on April 30, 2020
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C1 to the Listing Rules

“Mr. Liu”	Mr. Liu Yingqi (劉穎麒), chairman of the Board, executive Director and chief executive officer of our Company
“NetsUnion”	China Nets Union Clearing Corporation (中國網聯清算有限公司)
“Nomination Committee”	the nomination committee of the Company
“Penguin Financial”	Shenzhen Penguin Financial Technology Co., Ltd. (深圳市企鵝金融科技有限公司), a limited liability company incorporated in the PRC on June 4, 2014, which is a subsidiary of Shiji Kaixuan Technology Co., Ltd (深圳市實際凱旋科技有限公司)
“PRC Consolidated Entities”	Shenzhen Yeahka, Leshua Technology, and Guangzhou Feiquan, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
“PRC Government”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisors”	Han Kun Law Offices
“Pre-IPO Stock Incentive Scheme”	the pre-IPO stock incentive scheme of the Company approved and adopted by the Board on January 1, 2013, and as subsequently amended, the principal terms of which are set out in “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Stock Incentive Scheme” in Appendix IV to the Prospectus
“Prospectus”	the prospectus of the Company dated May 20, 2020
“Registered Shareholders”	the registered shareholders of Shenzhen Yeahka, namely, Mr. Liu Yingqi, Mr. Qin Baoan, Shenzhen Tencent and Penguin Financial
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in “History, Reorganization and Corporate Structure — Corporate Reorganization” in the Prospectus

DEFINITIONS

“Reporting Period” or the “year”	the year ended December 31, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit(s)
“RSU Eligible Persons”	persons eligible to receive RSUs under the RSU Scheme who are existing directors (whether executive or non-executive, but excluding independent non-executive directors), senior management or officers of the Company or any of the subsidiaries of the Company, including persons who are granted RSUs under the RSU Scheme as an inducement to enter, and conditional upon their entering, into employment contracts with the Company or any subsidiaries of the Company (“Employee Participants”); directors and employees of holding companies, fellow subsidiaries or associated companies of the Company (“Related Entity Participants”); or advisers or consultants who provide management, business or professional consulting services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group (“Service Providers”). In determining the eligibility of Service Providers, the Board shall also consider a range of factors including the nature and frequency of the services provided, and the current and anticipated contribution of their services to the Group’s financial and business performance, among other indicators
“RSU Nominee 1”	Yeah Talent Holding Limited, a company incorporated in the BVI on November 6, 2019, a wholly-owned subsidiary of the RSU Trustee
“RSU Nominee 2”	Yeah United Holding Limited, a company incorporated in the BVI on November 6, 2019, a wholly-owned subsidiary of the RSU Trustee
“RSU Participant(s)”	the participant(s) in the RSU Scheme
“RSU Scheme”	the restricted share unit scheme of our Company approved and adopted by our Board on August 1, 2019
“RSU Trustee”	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the RSU Scheme

“SaaS”	a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented from time to time
“Share(s)”	ordinary shares in the capital of our Company with nominal value of US\$0.000025 each
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Tencent”	Shenzhen Tencent Domain Computer Network Co., Ltd. (深圳市騰訊網域計算器網路有限公司), a limited company incorporated in the PRC on April 28, 1997, which is a subsidiary of Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent
“Shenzhen Yeahka”	Shenzhen Yeahka Technology Co., Ltd. (深圳市移卡科技有限公司), a limited company established in the PRC on June 16, 2011, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent”	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be

DEFINITIONS

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“UnionPay”	China UnionPay (中國銀聯股份有限公司), the only bank card clearing house and bank card association in China, who operates an inter-bank transaction settlement system through which the connection and switch between banking systems and the interbank, cross-region usages of bank cards issued by associate banks may be realized
“Yeahka HK”	Yeahka Technology Limited, a limited company incorporated under the laws of Hong Kong on October 7, 2011 and a wholly-owned subsidiary of our Company
“Yeahka WFOE”	Yeahka Technology (Shenzhen) Co., Ltd. (宜卡科技(深圳)有限公司), a limited company established under the laws of the PRC on May 17, 2012 and an indirect wholly-owned subsidiary of our Company
“%”	percent

In this annual report, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Yeahka 移卡