99 Technology

# 2020 ANNUAL REPORT

# About 99 Technology

99 Technology is a comprehensive technology and solutions provider enabling its business partners to improve customers' loyalty.

10 years Business Experience in Chinese Market

Competitive Technology Platforms

Value to Business Partners Empowered by Technology

Building Digital Life Ecosystem

99 Technology (the Group) is a comprehensive technology and solutions provider helping its business partners improve customers' loyalty. Through various marketing tools and promotional activities, the Group satisfies business partners' evolving demand for customer acquisition, engagement, enhancement, retention and growth.

In 2020, China's economy was heavily impacted by the COVID-19 pandemic. However, through the endeavors contributed by each staff member, the Group demonstrated strong resilience to this challenging economic environment to achieve the positive business growth.

**The Group has two competitive technology platforms, Mobile Solutions Platform and Cloud Delivered Solutions Platform. In 2020, the Group continued its research and development drive, and provided upgraded products and services consisting of:**

- Mobile Solutions, based on virtual products and big data analysis, offering comprehensive M-commerce marketing solutions, including 99 Mobile Marketplace, Business Costs Procurement Tools, Offline to Online Marketing Integrations and Customer Behaviour Data Analysis.
- Cloud Delivered Solutions, provide scene-based and customised cloud solutions and services for business partners and distribution channels, including Rewards Redemptions, Online Insurances, Insurance Supply Chain Managements and Loyalty Marketing Programs.

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"99 Technology is on track as an integrated participant in China's Digital Economy to build digital life ecosystems for all the consumers."

***Henry Chen***
Chief Executive Officer

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**Select financial data translated into Australian dollars**

99 Technology's financial statements are expressed in Chinese Yuan (RMB). Select financial data has been translated from RMB into Australian dollars (AUD) to enable share/CHESS Depository Interest (CDI) holders to interpret the financial performance of 99 Technology. The translations are unaudited, have been provided for convenience purposes only and may not fairly present 99 Technology's financial position or performance.

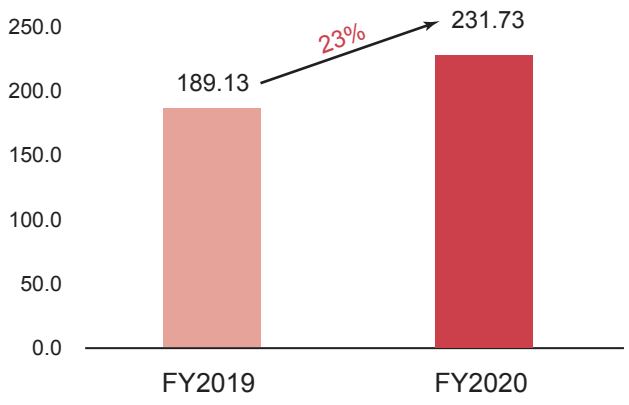
Statement of comprehensive income and statement of cash flows information have been translated at the average rate of AUD/RMB of 4.7622 for the period 1 January 2020 to 31 December 2020. Statement of financial position information has been translated at the spot rate of AUD/RMB of 5.0163 as at 31 December 2020.

**Documents incorporated by reference**

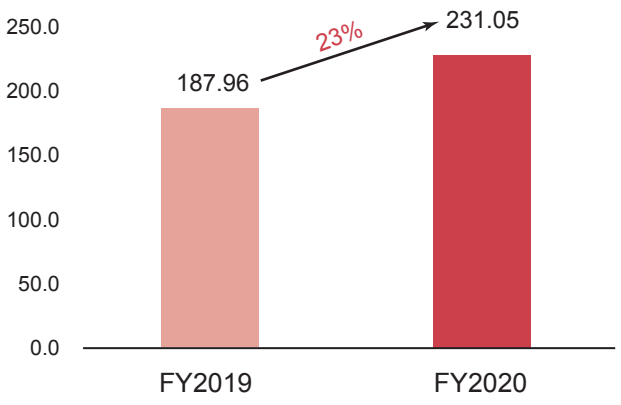
This Annual Report is to be read in conjunction with 99 Technology's Financial Statements for the year ended 31 December 2020 released to ASX on 31 March 2021, which have been replicated in this Annual Report and are incorporated in, and taken to form part of, this Annual Report.

# Highlights

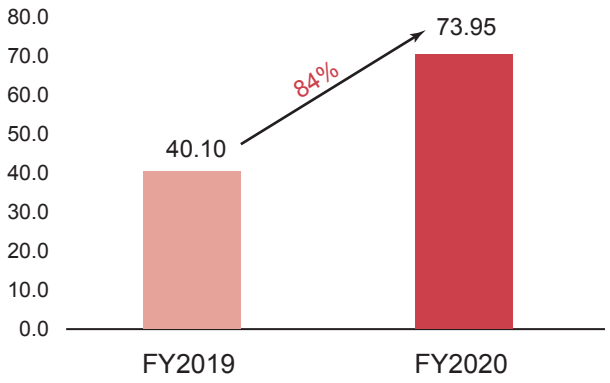
**Revenue (RMB: mm)**



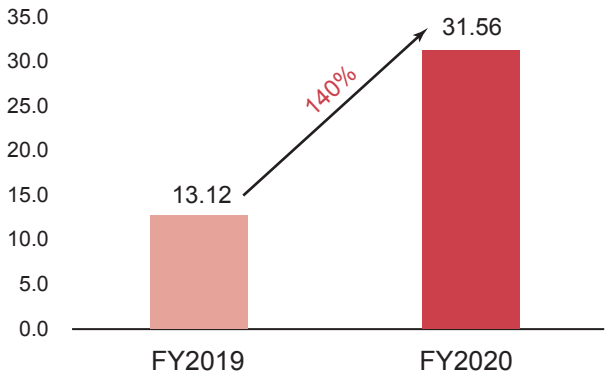

**Gross Profit (RMB: mm)**




**EBITDA (RMB: mm)**




**Net Profit (RMB: mm)**



# CEO and Chairman's Review

On behalf of the Board of Directors, it is with great pleasure we present the FY ("Financial Year") 2020 annual report for 99 Technology Limited ("99 Technology" or "the Group").

In FY2020, the outbreak of the COVID-19 pandemic significantly weakened the Chinese economy. Domestic demand and production plummeted as well as consumer' consumption. Notwithstanding, the Group continued offering diverse and multi-functional products and services to business partners, which efficiently fulfiled business partners' needs in customer acquisition, engagement, enhancement and retention in a difficult environment. The Group achieved a 23% increase in both Revenue and Gross Profit in FY2020, which shows our business partners highly appreciate the effectiveness of our products and marketing service. The Group reported Net Profit of RMB 31.56 million in FY2020 representing a significant increase of 140% from FY2019 despite market sentiment downturn.

Former CEO Amalisia Zhang and current CEO Henry Chen commented: "FY2020 was a difficult and challenging year for the market and for the Group, however, as a result of our strong resilience and perseverance, 99 Technology achieved solid business growth. This demonstrates that the comprehensive services and products we provide are recognised by our business partners and the market. Our customised products and services portfolio can efficiently help our business partners in acquiring, engaging and growing their customer bases even in a weak economy. We believe the opportunities always come with the challenges. We will continue with our plan of aligning our core competencies with our business model and will continue to focus on enhancing our service standards to our business partners."

Commenting on the result, Chairman Ross Benson said: "We are delighted to see the strong growth of the business during the past twelve months even though the market was negatively affected by COVID-19. The Group is well positioned to capitalise on the market opportunities emerging from China's fast evolving consumer market and digitalisation of products and services."

Mr. Ross Benson
Chairman

Ms. Amalisia Zhang
Former Chief Executive Officer

Mr Henry Chen
Chief Executive Officer

# Operating and Financial Review

## Financial Highlights

The financial performance for the 12 month period ending 31 December 2020 is summarised below:

### Summary financials

| | RMB millions | | AUD millions [1] | | |
|---|---|---|---|---|---|
| Year ended 31 December | FY2019 | FY2020 | FY2019 | FY2020 | Change |
| Revenue | 189.1 | 231.7 | 39.7 | 48.7 | 23% |
| Gross Profit | 188.0 | 231.0 | 39.5 | 48.5 | 23% |
| Gross Margin (%) | 99.4% | 99.7% | 99.4% | 99.7% | 0.3% |
| EBITDA | 40.1 | 73.9 | 8.4 | 15.5 | 84% |
| PBT | 16.7 | 46.5 | 3.5 | 9.8 | 178% |
| NPAT | 13.1 | 31.6 | 2.8 | 6.6 | 140% |
| Margin (%) | 6.9% | 13.6% | 6.9% | 13.6% | 6.7% |

1.RMB translated into AUD using the average rate of AUD/RMB 4.7622 for FY2019 and FY2020 to eliminate the exchange rate impact.

- Revenue of RMB 231.7 million (AUD 48.7 million) in FY2020, up 23% from RMB 189.1 million (AUD 39.7 million) in FY2019
- Gross profit of RMB 231.0 million (AUD 48.5 million) in FY2020, up 23% from RMB 1878.0 million (AUD 39.5 million) in FY2019
- EBITDA of RMB 73.9 million (AUD 15.5 million) in FY2020, up 84% from RMB 40.1 million (AUD 8.4 million) in FY2019
- Net profit of RMB 31.6 million (AUD 6.6 million) in FY2020, up 140% from RMB 13.1 million (AUD 2.8 million) in FY2019

# Financial Highlights

## Revenue and Gross Profit

In 2020, China's economy was heavily impacted by the COVID-19 pandemic, however, through the effort of our staff, the Group demonstrated strong resilience to this challenging economic environment, resulting in an increase in both revenue and gross profit of 23% from 2019. The Group reported revenue of RMB 231.7 million (AUD 48.7 million) and gross profit of RMB 231.0 million (AUD 48.5 million). The significant increase in both revenue and gross profit was attributable to continuous effort in providing comprehensive services and products portfolio under our integrated platforms and in promoting consumer consumption for our business partners despite weak economic conditions caused by COVID-19.

## EBITDA

The Group reported the EBITDA of RMB 73.9 million (AUD 15.5 million) in FY2020 with an increase of 84% from FY2019. This mainly resulted from the increase of gross profit and the improvement in management cost controls.

## NPAT

The Group reported net profit of RMB 31.6 million (AUD 6.6 million) in FY2020 representing a significant increase of 140% from FY2019. This resulted from revenue and gross profit improvement, demonstrating that our business partners highly recognise and appreciate the effectiveness of our products and marketing services even under the conditions of negative market sentiment. With an in-depth and better understanding of consumer market development and consumer preference evolvement, the products and services provided to our business partners and delivered to their consumers were well received.

## Cash flow and Balance sheet

The Group carefully manages its cash flow and explores tailored financing arrangements to support future growth. In FY2020, it had secured financing facilities including business factoring contracts, bank loans and equity linked loans. By the end of FY2020, the Group held bank and others loans of RMB 94.6 million, increased of 14% compared with FY2019, showing the funders' confidence in the Group. By the end of FY2020, the Group held cash and cash equivalents of RMB 112.5 million, an increase of RMB 19.4 million compared with FY2019. As a result of this financial capacity, the Group is well positioned for future growth.

# Operating Highlights

## Business partners and merchants

With an in-depth and better understanding of consumer market development and consumer preference evolvement, the products and services provided to our business partners and delivered to their consumers were well received.

## Products and services offering:

99 Technology provided comprehensive services through its Mobile Solutions Platform and Cloud Delivered Solutions Platform. The products and services provide in these platforms satisfy business partners' evolving demands on customer acquisition, engagement, enhancement, retention, and etc.

### Mobile Solutions Platform

- 99 Marketplace offers virtual products on both standardised and tailor-made M-commerce platforms.
- Business Procurement Tools improve efficiency and reduce costs under the business partners' procurement process.
- Integrated Marketing Solutions provide various offline to online marketing solutions and tools to serve wide-ranging business activities.

### Cloud Delivered Solutions Platform

- Rewards Redemption Services provide a comprehensive and modularised rewards management platform to our business partners. They also provide professional member incentive mechanism and growth management services to help business partners improve their customer brand loyalty.
- Insurance Brokerage Services build integrated platforms for insurance companies, brokers and agents to rapidly develop their businesses not just from offline, but also from efficient online-offline combinations, at the same time, the platform offers much better user experience for the potential policy-buyers in selecting insurance agents and products. The platform also makes the process from policy purchase to policy claim and settlement easier and more efficient.

## Staff

As of 31 December 2020, 99 Technology employed 155 staff in China. Human resources are highly valued by the Group, and the Group carefully manages our staff to meet the business growth requirement. The Group is deeply appreciative of the commitment and contribution of all staff through their technical prowess and determination, and will continue to provide our staff with the opportunity to maximise their contribution to the Group and personal career development.

## Outlook for FY2021

The COVID-19 pandemic has brought much uncertainty to 99 Technology's market. Stabilisation of the effects of COVID-19 will favourably impact market sentiment and business partner activity, however the Group will remain focused on the latest developments of COVID-19, in order to react actively to any potential adverse impact to its financial position and operating performance.

Our business scale and financial performance will be driven by:

- Recovery of China's economy and growth of GDP
- Evolution of consumers' consumption behavior and demand for digital products
- Business partners' evolving demands for digital marketing solutions and cloud delivered services to capture their customers' needs
- Business partners' attitudes towards changing of market conditions
- Development of technology providing innovation for products and services applied in digital marketing solutions, cloud services and SaaS services
- Market and business partners' marketing activities post COVID-19

In FY2021, the Group will remain focused on delivering comprehensive products and services to our valuable business partners, to efficiently assist them in increasing their consumers' activeness and loyalty, and to accelerate growth of their brand values.

# Board of Directors & Senior Management Team

The Board of 99 Technology have broad experience base covering finance, internet, E-commerce, mobile communication, enterprise storage and payment systems. The Board is well positioned to implement 99 Technology's strategic objectives.

## Board of Directors

| Name | Position | Independence [1] |
|---|---|---|
| Mr. Ross Benson | Chairman, Non-Executive Director | Independent |
| Ms. Amalisia Zhang | Executive Director | Non-independent |
| Dr. Tao Wen | Executive Director | Non-independent |
| Mr Haoming Yu | Non-Executive Director | Independent |
| Mr Simon Woodfull | Non-Executive Director | Independent |
| Mr Christopher Ryan | Non-Executive Director | Independent |

1. 99 Technology considers that a Director is an independent director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. 99 Technology has also assessed the independence of its Directors regarding the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.

# Details of Board of Directors

Details of each of the Directors at any time during or since the end of the financial year are set out below:

## Mr. Ross Benson

Chairman, Non-Executive Director

Mr Benson founded Investorlink Group Limited in 1986 and has over 33 years of experience in the Australian financial services industry, with extensive knowledge in securities, deal structuring and business strategy. Mr Benson has led negotiations for divestment and acquisition strategies for medium to large enterprises and has a depth of experience in prospectus and offer document preparation. Subsequent to the formation of Investorlink Group Limited, he has established associated business units in wealth management, private equity, property syndication and structured financial products. Over the past 10 years he has spent significant time in China originating inbound and outbound investment activities.

## Ms. Amalisia Zhang

Executive Director

Ms Zhang founded 99 Technology in 2011. She is a pioneer of internet and E-commerce, with extensive experience in Chinese E-commerce and mobile payments. Prior to founding 99 Technology, she was President of Handpay, one of China's largest third party mobile payment gateway service provider. She has also previously worked for Hong Kong telecommunications company PCCW and as part of the core management team of Ctrip and as General Manager of Ctrip Hong Kong. She graduated from Bath University in the United Kingdom with a Masters of Business Administration.

## Dr. Tao Wen

Executive Director

Dr Wen has significant experience in the science and technology sectors. He has been serving as Chief Technology Officer since the Company has established. Prior to joining 99 Technology, he worked as a Senior IT specialist of IBM Global Business Services and held the position of Director of Technology Department at Smartpay. He holds a PhD in Science from Fudan University.

## Mr. Haoming Yu

Independent[1] Non-Executive Director

Mr Yu has significant experience in the finance and banking industry over 42 years. Prior to joining 99 Technology, he was Executive Vice President of Zendai Group. Mr Yu held various senior positions in the past including Executive Vice President of Shan Shan Co Holding Ltd, Managing Director of Bear Stearns (Asia) Ltd, Executive Vice President of Shanghai International Trust & Investment Co. Ltd and Deputy General Manager in Bank of China, Shanghai Branch.

## Mr. Simon Woodfull

Independent[1] Non-Executive Director

Mr Woodfull has over 20 years of experience working as a senior executive in various financial services and technology companies across different aspects of business areas including operations, sales and marketing, wealth management , finance, legal and human resources. He was the co-founder of Bravura Solution Ltd (BVS), an ASX listed financial services and software business. Prior to joining 99 Technology, Mr Woodfull was the Chief Executive Officer of Syncsoft, a financial services software company, wholly owned subsidiary of the Link Group (ASX: LINK). Mr Woodfull graduated from Business Management, Victoria University.

## Mr. Christopher Ryan

Independent[1] Non-Executive Director

Mr Ryan is an Executive Director of Investorlink Group Limited, a Sydney-based corporate finance and advisory firm. He has diverse experience and expertise in mergers & acquisitions together with initial public offerings. He has advised ASX listings since 1986. He is currently Chairman and Non-Executive Director of Fintech Chain Limited (ASX: FTC). Mr Ryan holds a Bachelor of Financial Administration from the University of New England and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand.

# Senior Management

## Mr. Henry Chen

Chief Executive Officer

Mr Chen has significant experience in finance and accounting over 19 years. Prior to 99 Technology, he held finance, accounting and auditing related positions with various companies such as Vtion Wireless Technology AG, Vesta China and Arthur Andersen. Mr Chen holds a Master Degree of Commerce (Finance Major) from University of Sydney. Mr Chen is a CPA and a member of both CICPA (The Chinese Institute of Certified Public Accountants) and ACCA (The Association of Chartered Certified Accountants).

## Ms. Cathy Li

Chief Financial Officer

Ms. Li has worked in 99 Technology for more than nine years. She has a detailed understanding of the business and its financial operations. Ms. Li holds a Master Degree of Accounting from Fudan University and has more than 15 years professional experience in financial management. Her prior experience includes Shanda Network, Yongda Group and Handpay Information Technology Co., Ltd.

# Corporate Governance

## Board of Directors

99 Technology 's Memorandum and Articles of Association and the Hong Kong Companies Ordinance provide that the minimum number of Directors is two and that this minimum may only be changed by majority vote of the Shareholders. The Company currently has six Directors serving on the Board.

The Board is responsible for the overall corporate governance of the Company. Issues of substance affecting the Company are considered by the full Board, with advice from external advisors as required. Each Director must bring an independent view and judgment to the Board and must declare all conflicts of interest including confirmation of Director's interests in securities and declaration of any trading activities.

Any issue concerning a Director must be brought to the attention of the Board as soon as practicable, and Directors may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Board's role in risk oversight includes receiving review of reports from senior management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. The reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/ regulatory risks.

The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks, and appropriate activity to address those risks.

The responsibilities of the Board are set down in the Company's Board Charter.

The Company's governance framework has been prepared with regard to the ASX Corporate Governance Councils published guidelines as well as its stated principles and recommendations, contained in the ASX Corporate Governance Principles and Recommendations 4th Edition.

## Board Committees

The Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities as set out below.

The Board may also establish other committees from time to time to assist in the discharge of its responsibilities.

Each of these committees has the responsibilities described in the committee charters (which have been prepared having regard to the ASX Corporate Governance Principles) adopted by the Company.

| Committee | Overview | Members |
|---|---|---|
| Audit and Risk Management Committee | Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements, reviewing the performance of the Company's internal audit function and the qualifications, independence, performance and terms of engagement of the Company's external auditor. | Mr Christopher Ryan (Chairman)<br>Mr Ross Benson<br>Mr Haoming Yu |
| Nomination and Remuneration Committee | Nomination and Remuneration Committee:<br><br>Establishes, amends, reviews and approves the compensation and benefit plans with respect to senior management and employees of 99 Technology including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management.<br><br>The Nomination and Remuneration Committee is responsible for forming a view and making a recommendation to the Board on the most appropriate compensation for key employees. For instance, the Nomination and Remuneration Committee may determine that non-monetary compensation, such as employee options or employee shares, is appropriate compensation as a way of:<br><br>• recognising ongoing contributions by key employees to the achievement by 99 Technology of long term strategic goals;<br><br>• aligning the interests of participants with other holders of shares in 99 Technology through the sharing of a personal interest in the future growth and development of 99 Technology; and<br><br>• providing a means of attracting and retaining skilled and experienced employees.<br><br>The Nomination and Remuneration Committee is also responsible for reviewing the performance of 99 Technology's executive officers with respect to these elements of compensation.<br><br>**Nomination:**<br><br>The Nomination and Remuneration Committee recommends the Director nominees for each annual general meeting and ensures that the audit and risk management and nomination and remuneration committees of the Board have the benefit of qualified and experienced independent directors. | Mr Simon Woodfull (Chairman)<br>Mr Haoming Yu<br>Mr Ross Benson |

## Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and are incorporated by reference into this Annual Report.

A copy of each of the below policies are available on the Company's website at www.99tech.com.

## Code of conduct

This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.

## Continuous disclosure policy

The Company is subject to the continuous disclosure requirements of the Listing Rules and the Corporations Act. This ensures the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.

## Risk management policy

This policy is designed to assist the Company in identifying, assessing, monitoring and managing risks affecting the Company's business.

## Securities trading policy

This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws in Australia.

## Shareholder communications policy

This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders.

## Diversity policy

This policy sets out practices which the Company will implement to establish measurable objectives for achieving gender diversity.

## Whistleblower Policy

This Policy is designed to ensure that honesty and integrity are maintained at the Company. A Whistleblower is protected against adverse employment actions (dismissal, demotion, suspension, harassment, or other forms of discrimination) for raising allegations of malpractice, misconduct or conflicts of interest.

## Anti-Bribery and Corruption Policy

This Policy contains the Company's approach and commitment to anti-bribery and anti-corruption processes, procedures and practices. It sets out the Company's standards and guidelines on what constitutes bribery or corruption, the offering, accepting and providing gifts and hospitality, participating in tenders and procuring goods and services and providing donations and sponsorship.

## ASX corporate governance principles

The Board has adopted the 4rd edition of the ASX Corporate Governance Principles and Recommendations and has evaluated 99 Technology's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations.

The Board considers that the Company generally complies with the ASX Corporate Governance Principles and, where the Company does not comply, this is primarily due to the current relative size of the Company and scale of its current operations. Comments on compliance and departures are set out in the following Corporate Governance Statement as at 27 April 2021 which has been approved by the Board of 99 Technology.

# CORPORATE GOVERNANCE STATEMENT 2020

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT | | |
| 1.1 A listed entity should have and disclose a board charter setting out<br>• the respective roles and responsibilities of its Board and management; and<br>• those matters expressly reserved to the Board and those delegated to management. | Complied | The Board's responsibilities are contained in the Company's Board Charter. The Company's Board Charter is contained in the Corporate Governance Plan.<br><br>The functions of the Board and Chairman are specifically set out in the Board Charter. The functions of other senior executives including Chief Financial Officer and Financial Director are contained in the letter of appointments describing their term of office, duties, rights and responsibilities and entitlements on Termination. |
| 1.2 A listed entity should:<br>• undertake appropriate checks before appointing a director or senior executive or putting someone forward for election, as a director; and<br>• provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Complied | The Board's responsibilities in relation to Director appointments are contained in the Company's Board Charter. The Company's Board Charter is contained in the Corporate Governance Plan. Appropriate checks including bankruptcy checks and police checks are part of the listing process and will be conducted whenever a new Director is appointed or putting forward to security holders as a candidate for election as a Director.<br><br>All material information in relation to whether to elect or re-elect a Director is contained in the Company's notice of annual general meeting and explanatory statement. |
| 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Complied | The terms and conditions of the appointment of each Director are contained in the letter of appointments and the responsibilities of the Directors are set out in the Board Charter which is available as Annexure 1 of the Corporate Governance Plan at:<br><br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf |
| 1.4 The Company Secretary of a listed entity should be accountable directly to the Board, through the chair on all matters to do with the proper functioning of the Board. | Complied | The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 1.5 A listed entity should:<br>(a) have and disclose a diversity policy;<br>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and<br>(c) disclose in relation to each reporting period:<br>(1) the measurable objectives set for that period to achieve gender diversity;<br>(2) the entity's progress towards achieving those objectives; and<br>(3) either:<br>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or<br>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.<br>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period. | Complied | The Board has established a diversity policy which is contained in the Corporate Governance Plan.<br>The Company has established measurable objectives for gender diversity and provided an annual assessment of the performance against the target levels. The Company values a diverse and inclusive workforce which reflects the broader community. 99 Technology recognises the advantages of having a mix of relevant business and professional experience as well as the benefits of having cultural, ethnic and gender diversity.<br>99 Technology's performance against the policy objectives is as follows: |

| | Target | | FY2020 | |
|---|---|---|---|---|
| | Female% | Male% | Female% | Male% |
| Executive Director | 50 | 50 | 50 | 50 |
| Non-Executive Director | 50 | 50 | 0 | 100 |
| Executive/Managerial | 30 | 70 | 47 | 53 |
| Total Employees | 30 | 70 | 50 | 50 |

| | | |
|---|---|---|
| 1.6 A listed entity should:<br>• have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and<br>• disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. | Complied | The Chairman initiates the process of Board, committee and Director performance appraisal. The Board is responsible for the evaluation of its performance and the performance of individual Directors. This internal review is to be conducted on an annual basis and if deemed necessary this internal review will be facilitated by an independent third party.<br>The Chairman holds discussion with individual Directors when evaluating their performance. This performance evaluation took place in FY2020. The Board takes this evaluation into consideration when recommending Directors for election. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 1.7 A listed entity should:<br>• have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and<br>• disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. | Complied | The Board is responsible for the evaluation of its performance and the performance of individual Directors and other senior executives. This internal review is conducted on a half yearly basis and if deemed necessary this internal review is facilitated by an independent third party.<br><br>In accordance with the process disclosed above, the Company conducted half year performance reviews for its senior executives during the year. |

## PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

| | | |
|---|---|---|
| 2.1 The board of a listed entity should:<br>(a) have a nomination committee which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director,<br>and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. | Partially complied | The Board has established a Nomination and Remuneration Committee.<br><br>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter which is contained in the Corporate Governance Plan.<br><br>The Nomination and Remuneration Committee is chaired by Mr Simon Woodfull, a Non-Executive independent Director and consists of two Non-Executive independent Directors, namely Mr Haoming Yu and Mr Ross Benson. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 2.2 A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. | Complied | The Company has a board skills matrix as below, indicating that the Board members are qualified to assume the role of the Directors. |

| Skill | Ross Benson | Amalisia Zhang | Tao Wen | Chris Ryan | Haoming Yu | Simon Woodfull |
|---|---|---|---|---|---|---|
| **Leadership and Management** | | | | | | |
| Executive Management | X | X | X | X | X | X |
| Corporate Governance | X | X | X | X | X | X |
| Strategy | X | X | X | X | X | X |
| Policy Development | X | X | X | X | X | X |
| **Corporate** | | | | | | |
| Business Operation | X | X | X | | X | X |
| Legal | | | | | | |
| Investor Relation | X | X | | X | X | X |
| Marketing | X | X | | | X | X |
| International Operation Management | X | X | X | X | X | X |
| **Capital Market** | | | | | | |
| Capital Raising | X | X | | X | X | X |
| Capital Management | X | X | | X | X | X |
| Corporate Actions | X | X | | X | X | X |
| **Finance and Risk** | | | | | | |
| Risk Management and Compliance | X | X | X | X | X | X |
| Financial | X | X | | X | X | X |
| **Sector Experience** | | | | | | |
| Research and Development | X | X | X | | | X |
| Information Technology | | X | X | | | X |

The Nomination and Remuneration Committee continues to review the board skills matrix.

| | | |
|---|---|---|
| 2.3 A listed entity should disclose:<br>• the names of the directors considered by the Board to be independent directors;<br>• if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, or relationship in question and an explanation of why the Board is of that opinion; and<br>• the length of service of each director. | Complied | Currently the Board consists of six members, of which four are Non-Executive independent Directors, namely, Mr Ross Benson, Mr Haoming Yu, Mr Simon Woodfull and Mr Christopher Ryan.<br>The appointment and rotation of Directors is governed by the Constitution of the Company and the terms and conditions of the each Director are contained in the letter of appointment.<br>The Nomination and Remuneration Committee is responsible in monitoring the length of service of current Board members, considering succession planning issues and identifying the likely order of retirement by rotation of Directors. |

| Directors | Appointment Date | Directors | Appointment Date |
|---|---|---|---|
| Ms. Amalisia Zhang | 7 May 2013 | Dr. Tao Wen | 26 September 2016 |
| Mr. Ross Benson | 28 June 2013 | Mr. Christopher Ryan | 1 November 2016 |
| Mr. Simon Woodfull | 18 November 2019 | Mr. Haoming Yu | 1 April 2017 |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 2.4 A majority of the Board of a listed entity should be independent directors. | Complied | Of the six Directors, four are Non-Executive independent Directors being Mr Benson, Mr Yu, Mr Woodfull and Mr Ryan. As such a majority of the Board is independent.<br>The Board will continue to review the structure and regularly assess if any Director's independence status changes during 99 Technology's development. |
| 2.5 The chair of the Board of a listed entity should be an independent director and in particular , should not be the same person as the CEO of the entity. | Complied | The Chairman, Mr Ross Benson, is a Non-Executive independent Director under ASX guideline. |
| 2.6 A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively. | Complied | The Nomination and Remuneration Committee is responsible to design induction and ongoing training and education programs for the Board to ensure that Directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties. |
| PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY | | |
| 3.1 A listed entity should articulate and disclose its values. | Complied | The Company's values are included in its Code of Conduct which is available on the Company's website. |
| 3.2 A listed entity should:<br>(a) have and disclose a code of conduct for its directors, senior executives and employees; and<br>(b) ensure that the board or a committee of the board is informed of any material breaches of that code. | Complied | The Board has established a Code of Conduct which outlines the standards of behavior of staff members of 99 Technology including Directors, senior executives, employees and contractors who must follow.<br>The Code of Conduct provides that the Directors will act with honesty and integrity, will avoid conflicts of interest, protect confidential and proprietary information and treat others equitably and with professionalism, courtesy and respect.<br>Any activities that constitutes departures from the guideline of this Code should be referred to the senior management/Board in accordance with the administrative procedure of the Code.<br>The Code of Conduct is available at:<br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 3.3 A listed entity should:<br>(a) have and disclose a whistleblower policy; and<br>(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. | Complied | The Company's whistleblower policy is available on the Company's website. at<br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf<br>The Audit and Risk Management Committee will receive reports from management for any material incidents and oversee related investigation. |
| 3.4 A listed entity should:<br>(a) have and disclose an anti-bribery and corruption policy; and<br>(b) ensure that the board or committee of the board is informed of any material breaches of that policy. | Complied | The Company's Anti-Bribery, Fraud and Corruption policy is available on the Company's website at<br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf<br>The Audit and Risk Management Committee will receive reports from management for any material incidents and oversee related investigation. |
| PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORT | | |
| 4.1 The board of a listed entity should:<br>(a) have an audit committee which:<br>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br>(2) is chaired by an independent director, who is not the chair of the board,and disclose:<br>(3) the charter of the committee;<br>(4) the relevant qualifications and experience of the members of the committee; and<br>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | Complied | The Board has established an Audit and Risk Management Committee.<br>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which assists with ensuing the integrity and reliability of information prepared for use by the Board and the integrity of the Company's internal controls affecting the preparation and provision of that information in determining polices or for inclusion in the financial report.<br>The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan which is available at :<br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf<br>The Audit and Risk Management Committee consists of three members, all of whom are independent Non-Executive Directors, being Mr Ryan, Mr Benson and Mr Yu. Mr Ryan chairs the Audit and Risk Management Committee, who is not the chair of the Board.<br>The qualifications and experience of the members of the committee, please refer to the Director's profile of this Annual Report.<br>In 2020, the Audit and Risk Management Committee held two meetings on 27 April 2020 and 28 October 2020 and all members of the Committee attended both meetings. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Complied | The Board requires the Chief Executive Officer and Chief Financial Officer to provide such as statement on at least an annual basis.<br><br>The Board confirms that it has received these statements from the Chief Executive Officer and Chief Financial Officer. |
| 4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor. | Complied | The Audit and Risk Management Committee is responsible for reporting to the Board on the Company's process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by an external auditor. |
| PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE | | |
| 5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1. | Complied | The Company has established a Continuous Disclosure Policy and the Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs.<br><br>The policy is available at :<br><br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf |
| 5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made. | Complied | Under the current procedure, the Board will receive copies of material announcements promptly after they have been made and properly approved. |
| 5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation. | Complied | Under the Continuous Disclosure Policy and Communications Strategy, the Company will release to ASX and post on the Company's website before a new or substantive presentation to investor or analsyst. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS | | |
| 6.1 A listed entity should provide information about itself and its governance to investors via its website. | Complied | The Board recognises its duty to ensure that its shareholders and the market are informed of all major developments affecting the Company's state of affairs. The Company has established on its website where shareholders can find information such as financial statements and major development of the Company as well as all relevant corporate governance material. The relevant page shareholders can access those information is at:<br>http://www.99tech.com/en/investors.html |
| 6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors. | Complied | Shareholders are encouraged to fully participate at the Annual General Meeting or other General Meeting of the Company to ensure effective two way communication.<br>Shareholders are also able to direct any questions relating to Company's securities to the share registry, Automic Pty Limited. |
| 6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders. | Complied | The communication strategy is contained in the Continuous Disclosure Policy and Communications Strategy and is designed to ensure that shareholders are informed of all relevant developments. Details of the information can be found on the Company's website under the corporate governance landing page of the Investor Information section.<br>The Company encourages full participation of shareholders at any General Meeting or the Annual General Meeting. The notice of such meetings will be given in accordance with the Company's Constitution, The HK Companies Ordinances and the ASX Listing Rules.<br>The security holders can attend the meetings in person, appoint a proxy or representative to vote on their behalf at any of the shareholder meetings.<br>The Chairman encourages shareholders to ask reasonable questions at any General Meeting or the Annual General Meeting of the Company .The Board makes itself available to all shareholders both before and after the Meetings. |
| 6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. | Complied | The notice of the meetings will be drafted and reviewed by the Company's legal counsel. Any substantial resolutions considered under the ASX Listing Rules will be decided by poll. The Company registry will be appointed as the independent third party to manage and conduct the poll process. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Complied | All shareholders have the right to access details of their holdings, provide email address contacts and make certain elections via the Company's share registry, Automic by accessing the website at:<br><br>https://www.automicgroup.com.au/<br><br>Shareholders have the right of option of receiving all or a selection of communication electronically. |

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

| | | |
|---|---|---|
| 7.1 The board of a listed entity should:<br>(a) have a committee or committees to oversee risk, each of which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director, and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. | Complied | The Board has established an Audit and risk Management Committee.<br><br>The Audit and Risk Management Committee consists of three members, all of whom are independent Non-Executive Directors, being Mr Ryan, Mr Benson and Mr Yu. Mr Ryan chairs the Audit and Risk Management Committee, who is not the chair of the Board.<br><br>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter which is available at:<br><br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf<br><br>The qualifications and experience of the members of the committee, please refer to the Director's profile of this Annual Report.<br><br>In 2020, the Audit and Risk Management Committee held two meetings on 27 April 2020 and 28 October 2020 and all members of the Committee attended both meetings. |
| 7.2 The board or a committee of the board should:<br>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and<br>(b) disclose, in relation to each reporting period, whether such a review has taken place. | Complied | The Audit and Risk Management Committee has reviewed the risk management program which was developed by senior management and was approved by the Board.<br><br>The Board receives regular reports from management on progress in addressing and managing risks.<br><br>The Audit and Risk Management Committee will continue the process to review the risk management framework at least annually and will disclose such review accordingly. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 7.3 A listed entity should disclose:<br>(a) if it has an internal audit function, how the function is structured and what role it performs; or<br>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes. | Complied | The Audit and Risk Management Committee determines and approves internal audit scope and provides recommendation to the Board as to the role of the internal auditor/internal audit functions.<br>The internal control systems and procedures are reviewed by the internal auditor. The internal audit function is independent of external audit. |
| 7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks. | Complied | The Company does not have any material exposure to economic, environmental or social sustainability risk. The material risks, if any, will be disclosed at the Directors' Report of the Annual Report. The Directors' Report discloses the potential risks the Company is exposed to, which are considered to be immaterial. |
| PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY | | |
| 8.1 The board of a listed entity should:<br>(a) have a remuneration committee which:<br>(1) has at least three members, a majority of whom are indepedent directors; and<br>(2) is chaired by an independent director,and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | Partially complied | The Board has established a Nomination and Remuneration Committee.<br>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter contained in the Corporate Governance Plan which can be available at:<br>http://www.99tech.com/en/pdf/NNT%20Corporate%20Governance%20Plan.pdf<br>The Nomination and Remuneration Committee consists of three members. Of these members, all are independent Non-Executive Directors, namely, Mr SimonWoodfull , Mr Haoming Yu and Mr Ross Benson.<br>The Nomination and Remuneration Committee is chaired by an independent Non-Executive Director, Mr Woodfull , who is not the chairman of the Board. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. | Complied | Under the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee will separately consider and review the remuneration packages of Non-Executive Directors, Executive Directors and senior executives to make sure that the structure of remuneration for Non-Executive Directors is clearly distinguished from that of Executive Directors and senior executives. |
| 8.3 A listed entity which has an equity-based remuneration scheme should:<br>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and<br>(b) disclose that policy or a summary of it. | Not Applicable | The Company has not yet established an equity-based remuneration scheme and therefore currently doesn't have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme.<br>However, the Nomination and Remuneration Committee is responsible for monitoring Board members and senior executives to ensure no transactions in associated products are entered into which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme if any. |
| **PRINCIPLE 9 – ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES** | | |
| 9.1 A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents. | Not Applicable | All Board members can speak and understand English in which the board and security holder meetings are held.<br>All the Board or security holder meetings are conducted in English where proper translation if necessary will be provided to Directors and all key corporate documents are provided with summary of Chinese translation to ensure the director understands and can contribute to the discussion at those meetings and can discharge their obligations in relation to those documents. |

| Principles/recommendation | Does 99 Technology comply? | Particulars of compliance and if not why not |
|---|---|---|
| 9.2 A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time. | Complied | The Company encouraged full participation of shareholder meetings and the shareholders meeting will normally be held in a place and time where majority shareholders can be easily accessed.<br><br>In any event that it is not possible to hold a meeting in a reasonable place and time such as the social distancing and travel restriction caused by Covid -19, the Company will try to organise the meetings in its registered office in Sydney and using the video conference platform so that investors can observe and participate the meetings in different locations. |
| 9.3 A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit | Complied | The Company invited the external auditors on its 2020 AGM who was available at the meeting to answer shareholders' questions regarding the financial statements and conduct of the audit. |

# Directors' Report

The directors of 99 Technology Limited ("the Company") present their annual report together with the audited consolidated financial statements for the year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in note 32 to the financial statements.

## FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 38 to 82.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2020.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Ms. Amalisia Zhang ("Ms. Zhang")
Mr. Christopher Ryan
Mr. Haoming Yu
Mr. Ross Benson
Mr. Simon Woodfull
Mr. Wen Tao

In accordance with the Company's articles of association, the directors retire and, being eligible, offer themselves for re-election.

## DIRECTORS

The directors of the Company's subsidiaries included in the consolidated financial statements during the year and up to the date of this report were as follows:

Ms. Cheng Xiao Ling
Mr. Ding Zhi Wei
Mr. Jiang Chuan Wen
Ms. Liu Pan Pan (appointed with effect from 14 December 2020)
Ms. Liu Yan
Mr. Ma Jian Guo
Ms. Qian Jing Wen
Mr. Sheng Yun Dong
Mr. Tang Jian Bin
Mr. Tong Nan
Mr. Wang Hao Qi
Mr. Wen Tao
Ms. Xu Yi Sha (appointed with effect from 14 December 2020)
Ms. Zhang
Ms. Zhang Qi
Mr. Zhang Ying Jin
Mr. Zhou Hong Lin (appointed with effect from 10 June 2020)

## MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Ms. Zhang, a beneficial shareholder in Jiangsu Ofpay E-commerce Limited ("Ofpay"), held an interest in contracts for the provision of mobile recharge services in the sum of Renminbi ("RMB")274,210,757 and RMB5,786,299 with Shanghai Handpal Information Technology Co., Ltd ("Shanghai Handpal") and Shanghai Handqian Information Technology Co., Ltd respectively, subsidiaries of the Company. The directors are of the opinion that these services are based on standard commercial terms, published prices and conditions similar to those offered to the major customers of the service provider.

Ms. Zhang, as a beneficial shareholder in Ofpay, held an interest in contracts for the provision of mobile recharge services of RMB314,817,934 with Shanghai Handpal to Ofpay. The directors are of the opinion that these services are subject to standard commercial terms, the published prices and conditions similar to those offered to the major customers of the Shanghai Handpal.

Save as disclosed above and elsewhere in the financial statements, no contracts of significance to which the Company's holding companies or subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

## EQUITY-LINKED AGREEMENTS

In November 2017, the Group obtained three equity-linked loans with principal amounts of Australian dollar ("A$") 950,000 (equivalent to RMB4,974,105), RMB6,250,000 and RMB5,000,000 (collectively "Equity-linked Loans I") respectively for general working capital purpose. Equity-linked Loans I carry a coupon rate of 10% per annum, which are paid quarterly in arrears on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018. The lenders of Equity-linked Loans I are entitled to unlisted call options which would provide the lenders the right to acquire a maximum of total 31,429,825 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 17 November 2020.

In November 2018, the Company and a subsidiary redeemed part of the Equity-linked Loans I at a price equal to the sum of principal amount of RMB4,056,026 upon maturity. The terms and conditions of the principal amount of outstanding Equity-linked Loans I of RMB12,168,079 ("the Modified Equity-linked Loans I") were amended and modified. The Maturity Date of Modified Equity-linked Loans I was extended by four months, from 17 November 2018 to 17 March 2019.

The coupon rate is adjusted from 10% to 13% per annum. The Call Options I were extended by six months and convertible at any time prior to 17 May 2021. Except for the above, all other terms and conditions of the Modified Equity-linked Loans I remain unchanged from the original terms.

In January 2018, the Group obtained an equity-linked loan with principal amount of A$250,000 (equivalent to RMB1,271,050) ("Equity-linked Loan II") for general working capital purpose. Equity-linked Loan II carries a coupon rate of 10% per annum, which is paid quarterly in arrears on 22 April 2018, 22 July 2018, 22 October 2018 and 22 January 2019. The lender of Equity-linked Loan II is entitled to unlisted call options which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 22 January 2021.

In February 2018, the Group obtained an equity-linked loan with principal amount of RMB1,500,000 ("Equity-linked Loan III") for general working capital purpose. Equity-linked Loan III carries a coupon rate of 10% per annum, which is paid quarterly in arrears on 20 May 2018, 20 August 2018, 20 November 2018 and 20 February 2019. The lender of Equity-linked Loan III is entitled to unlisted call options which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 20 February 2021.

During the year ended 31 December 2019, the Group has redeemed the entire outstanding balances of Modified Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at a price equal to the sum of principal amounts upon their maturity.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## PERMITTED INDEMNITY PROVISIONS

During the financial year and as at the date of this report, a qualifying indemnity provision made by the Company for the benefit of the directors of the Company is in force.

## BUSINESS REVIEW

### Business overview and key operating and financial metrics

The Group is a comprehensive technology and solutions provider enabling its business partners to improve customers' loyalty. Through various marketing tools and promotional activities, the Group satisfies business partners' evolving demands for customer acquisition, engagement, enhancement, retention and growth.

The Group has two competitive technology platforms, being Mobile Solutions Platform and Cloud Delivered Solutions Platform. In 2020, the Group increased its research and development, providing upgraded products and services including 99 Marketplace, Business Procurement Tools, Integrated Marketing Solutions, Loyalty Marketing Program, Rewards Redemption, Insurance Broker Services and Consumer Behaviour Data Analysis. These services are able to be separately provided or combined with other services to form total solutions package to business partners.

In 2020, China's economy was heavily impacted by the COVID-19 pandemic. However, through the effort of our staff, the Group demonstrated strong resilience to this challenging economic environment, resulting in an increase in both revenue and gross profit of 23% from 2019. The Group reported revenue of RMB 231.7 million (A$48.7 million) and gross profit of RMB 231.0 million (A$ 48.5 million). The significant increase in both revenue and gross profit was attributable to continuous effort in providing comprehensive services and products portfolio under our integrated platforms and in promoting consumer consumption for our business partners despite weak economic conditions caused by COVID-19. The Group reported net profit of RMB 31.56 million (A$ 6.63 million) in 2020 representing a significant increase of 140% from 2019. This resulted from revenue and gross profit improvement, demonstrating that our business partners highly recognise the effectiveness of our products and marketing services even under the conditions of negative market sentiment. With an in-depth and better understanding of consumer market development and consumer preference evolvement, the products and services provided to our business partners and delivered to their consumers were well received.

Looking forward, there remain uncertainties brought about by COVID-19 pandemic. A positive response of COVID-19 will favourably impact market sentiment and business partner activities. The Group will obviously remain attentive to the latest developments of COVID-19, in order to react quickly to any potential adverse impact to its financial position and operating performance. In 2021, the Group will strive to enhance its capabilities and competitiveness, maintaining a positive long-term relationship with business partners, diversify its products and services portfolio, and delivering more comprehensive and flexible services and products.

### Environmental policies and compliance

The Group sources the majority of its revenue from China and our operations are therefore impacted by the economic, political and legal factors in the country. The Group strives to capture favourable external factors and comply with all applicable laws, rules and regulations to ensure that our business can be carried out

effectively.

In 2020, China and the rest of the world faced severe impacts and challenges caused by the COVID-19 pandemic. Despite this, China's Gross Domestic Product ("GDP") in 2020 rose by 2.3% and the total amount of GDP surpassed RMB 100 trillion for the first time according to the National Bureau of Statistics. Moreover, China was the only major economy in the world in 2020, to achieve positive growth in product trade and consumption. According to the International Monetary Fund's GDP forecast, the global economic growth rate will be 5.5% in 2021, and China's recovery will take the lead among the global large economies in the world.

The Chinese Government Work Report published in 2020 included references to the promotion of "Internet plus" and the digital economy, which further emphasises the integration of internet and big data. The government's favorable view of technology development and innovation supports the direction of the Group's business.

In 2020, in order to help enterprises cope with the challenges caused by COVID-19, the government implemented positive monetary policies and fiscal policies which impact the market and companies in different aspects including taxation, interest rates, etc. Specifically, the Shanghai Finance Bureau offered social security contribution concessions to enterprises during the COVID-19 outbreak. Regarding the M-commerce industry, the government has imposed Provisional Measures on Online Merchandise Transactions and Relevant Services, Standards of Third Party Electronic Commerce Platform Services, Regulations on Information System Security Protection, based on laws covering Contract Law, Consumer Protection Law, Product Quality Law, and Trademark Law, etc. These standards and laws keep the good order of the industry market, standardise industry behaviour, strengthen industry management and guarantee healthy competition. The Group acts prudently to ensure compliance with all laws, rules and regulations, through specific department targets for legal, internal control, compliance, and public affairs.

## Risk factors

Risk identification is crucial, neglect of which could adversely impact the Company.

### External risk factors include:

- **Risks with law, rules and regulation charges:**

  The government has implemented relevant laws, rules and regulations in recent years to strictly monitor and regulate the M-commerce industry and Insurance industry, however, there are still some uncertainties in the interpretation and enforcement of relevant laws, rules and regulations. Besides, the government may issue new laws, rules and regulations to fit in the developing M-commerce business and insurance related business, to require the market players to react promptly. The Group is constantly following up any change in laws, rules and regulations and takes action immediately to avoid any non-compliance.

- **Risks with the macro economy:**

  Although Chinese GDP achieved 2.3% increase in 2020, and predicted growth rate of GDP in 2021 will be 5.5%, such growth rates are significantly lower than that of previous years. As a comprehensive index showing the results of economic development, GDP is an important economic indicator, which is closely related to employment, investment, consumption, import and export indexes. If the Chinese economy cannot return to high growth, almost all industries will be affected and resulting in a market sentiment down. The Group's business and financial business may be affected along with the market.

  Alternatively, the Group considers the macro trends within the consumption and service sectors will continue to improve and become the main driver for China's economic recovery in 2021. With Internal risk factors include:increasedopportunities however the Group may face more competition.

- **Risks with COVID-19:**

  The intermittent outbreak of COVID-19 in 2020 has brought much uncertainty to the whole world. Although the Group has confidence in the fundamentals of China's economy and the global economy, the market is still influenced by pandemic control and vaccine roll-outs. The situation of COVID-19 will significantly impact market sentiment, business partner's activity and consumer behaviour. If the outbreak of COVID-19 continues, demand, production, investment and consumption may fall to lower levels. All of these scenarios may adversely impact on the Group's performance results.

- **Risks with suppliers:**

  As to certain special categories of products, the stability of supply may in the future be uncertain. For instance, the Group has added petrol cards to its product portfolio, and the ultimate suppliers are those Chinese oil companies who are dominant in the oil industry. If they decide not to distribute petrol cards online any longer, then it will be hard to source substitutes. The oil industry is different from other competitive markets so the attitude of petrol card suppliers toward Internet distribution also constitutes risk.

- **Risks with business partners:**

  Many of the Group's business partners are financial institutions, such as banks and insurance companies, the development of which is easily influenced by policy, regulation and economic environment. If the economy declines or the regulations are tightened, the demands of the Group's business partners will decrease, which will adversely affect the Group's business development. In 2020, we have experienced some of our business partners in the insurance sector having been effected by insurance policy reform, especially the auto insurance business. The Group will always maintain vigilance to these changes and develop appropriate business strategies to deal risks that arise.

## Internal risk factors include:

- **Risks in strategic business development:**

  The Group pursues long term sustainable interests in the process of business development, which requires large up-front investment and working capital commitment for new projects, prepayment for rewards redemption business, expenditure on marketing activities, etc. There is a time lag in investment reimbursement which although generating considerable profit, may not be reflected in short term financial results.

- **Risks in knowing consumers:**

  One of the competitive advantages of the Group is providing comprehensive products and services to satisfy the developing demands of consumers. Knowing consumers' preferences assures the Group offers optimal solutions. Consumer behaviour continues to evolve and any failures by the Group to recognise these changes would be detrimental.

- **Risks with technology & information:**

  With the increases in business volume, higher capacity and processing speed are required by both business partners and consumers. Any failure to maintain technology infrastructure including system upgrades and hardware enhancements could lead to system disruptions, slower responses and delays in processing. Any failure to maintain information systems, networks, databases and access authorities could seriously affect the operations of the Group.

  To better control technology & information risk, the Group has established comprehensive risk control

and management mechanisms to prevent risks occurring and enabling quick response by utilising the Group's business risk alert systems. The Group's Chief Technology Officer leads the business risk alert task force, which is composed of talent from the quality and risk control department, business lines, and relevant supportive functions. On a quarterly basis, the task force assesses the risks associated with both the external environment and internal operations, projects on different scenarios, and proposes relevant emergency-response plans and procedures in response.

### Employee relations management

The Group always regards employees as one of its most valuable resources and takes well-defined measures to continually improve employee relationship management. The Group recruits high quality professional in technology, sales and finance fields and provides them with competitive compensation packages. The Group also offers employees various and flexible benefits to deliver a message of employee care. Moreover, the Group helps employees with their career developments by providing training and effective, transparent and reasonable promotion mechanisms to ensure fairness and employee satisfaction.

### Business partner relations management

The Group provides Mobile Solutions and Cloud Delivered Solutions for business partners to help them to be fully engaged with their customers and employees. The Group believes that having a solid partnership is the key factor to the business success, so the Group is always committed to maintaining and strengthening the partnership while developing new business partners. With the progress of Group's technology, research and development capabilities, which will provide better understanding of business partners' evolving demands, so as to provide them better products and services to fulfill their needs.

### Consumer relations management

The Group is devoted to offering outstanding consumer service and experience. The Group has a 7*24 hotline and diversified online consumer service platforms such as WeChat terminals to handle inquiries, problems and complaints from consumers on a timely manner. The Group's efficient consumer service team and consumer relations management system are well received by its consumers, as well as business partners.

### Merchant relations management

The Group has a set of merchant management mechanisms including the merchant admittance mechanism which obligates rigorous checking of potential merchants' qualifications, background and industry reputation. The merchant evaluation mechanism which reviews their products and services on a regular basis. The Group actively sources more high quality and diversified merchants, boards them onto the platform to improve offerings and provide incentives. For those merchants who fail in the admittance and evaluation process, the Group will not include them into the portfolio or will temporarily take their products and services off the platform and send notifications to them requiring immediate rectification for re-evaluation later. In this way, the Group ensures a high quality merchant mix and product mix.

## AUDITOR

The consolidated financial statements for the year have been audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Mr. Ross Benson
Chairman
Hong Kong, 31 March 2021

# Independent Auditor' Report

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF 99 TECHNOLOGY LIMITED**
**(FORMERLY KNOWN AS 99 WUXIAN LIMITED)**

(incorporated in Hong Kong with limited liability)

## Opinion

We have audited the consolidated financial statements of 99 Technology Limited (formerly known as 99 Wuxian Limited) ("the Company") and its subsidiaries (herein referred to as the "Group") set out on pages 17 to 86, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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 are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

### Revenue recognition and presentation

*Refer to notes 4(i), 5(b) and 7 to the financial statements*

In the Group's industry, a variety of contracts and arrangements may be entered into by the Group and its customers. Due to the complexity of these contracts and arrangements, there are risks in relation to the accuracy and completeness of amounts recorded as revenue and the proper presentation of revenue. Careful consideration and judgement are required to determine the recognition policy and presentation of revenue.

*Our response:*

Our audit procedures on recognition and presentation of the Group's revenue included:

- Understanding the policies and procedures applied to revenue recognition and those revenues requiring the exercise of significant management judgement;
- Understanding the systems involved in recording revenues and testing the operating effectiveness of associated internal controls;
- Performing analytical reviews on the revenue;
- Assessing the appropriateness of the presentation of the revenue; and
- Performing substantive audit procedures including reviewing customer contracts on sample basis.

### Recoverability of trade and other receivables

*Refer to notes 4(f)(ii), 5(f), 21 and 36(a) to the financial statements*

The balance of trade and other receivables were significant to the Group and constituted a substantial portion of the Group's total assets as at 31 December 2020. Management performed periodic assessment on the recoverability of the trade and other receivables. The assessment of impairment allowances is based on information including credit profile of different debtors, ageing of the receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant debtors. Management also considered forward-looking information that may impact the debtors' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade and other receivables under the expected credit losses model involved the use of significant management judgements and estimates.

*Our response:*

Our audit procedures on the recoverability of the Group's trade and other receivables included:

- Assessing the recoverability of trade and other receivables and the appropriateness of any impairment allowance to be recognised taking into account facts and circumstances for the Group's debtors;
- Reviewing the repayment history and credit worthiness of the Group's debtors; and
- Assessing the adequacy of the Group's disclosures regarding impairment assessment of trade and other receivables, including credit risk assessment and ageing analysis.

**Impairment assessment of property, plant and equipment, intangible assets and goodwill**

*Refer to notes 4(n), 5(e), 16, 17 and 18 to the consolidated financial statements*

Property, plant and equipment of approximately RMB16.4 million, intangible assets of approximately RMB66.1 million, and goodwill of approximately RMB3.4 million represent significant balances recorded in the consolidated statement of financial position of the Group as at 31 December 2020. These assets are allocated to the cash generating unit ("CGU") in relation to the Group's provision of services on an online marketplace in the People's Republic of China.

The CGU is tested for impairment annually. Management determined the recoverable amount of this CGU based on cash flow projections, which included management judgements and estimates of growth rates and discount rates. Any shortfall in the recoverable amount against the carrying amount of this CGU would be recognised as impairment loss. The determination of recoverable amount requires significant management judgement and estimates, and valuations prepared by independent professional valuer were obtained in order to support these judgements and estimates.

*Our response:*

Our audit procedures on the impairment assessment of the Group's property, plant and equipment, intangible assets and goodwill included:

- Understanding and evaluating the reasonableness of key assumptions used by management in the value-in-use calculation, who was assisted by an independent professional valuer as engaged by the Group (the "Management Expert"), taking into account the Group's historical performance and future operating plans;
- Assessing the qualification and competence of the Management Expert; and
- Assessing the valuation methodology and key inputs of the value-in-use calculation, including the growth rates and discount rates.

BDO

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF 99 TECHNOLOGY LIMITED**
**(FORMERLY KNOWN AS 99 WUXIAN LIMITED)**
(incorporated in Hong Kong with limited liability)

## Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we have obtained the directors' report but have not obtained the remaining other information included in the annual report (the "Remaining Other Information"), which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Remaining Other Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit and Risk Management Committee and take appropriate action considering our legal rights and obligations.

## Directors' Responsibilities for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit and Risk Management Committee assists the directors in discharging their responsibility in this regard.

BDO

## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF 99 TECHNOLOGY LIMITED
**(FORMERLY KNOWN AS 99 WUXIAN LIMITED)**

(incorporated in Hong Kong with limited liability)

### 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. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional skepticism 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.

- 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 and Risk Management 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 and Risk Management 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, related safeguards.

From the matters communicated with the directors, 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.

BDO Limited

BDO Limited
Certified Public Accountants
Lui Chi Kin
Practising Certificate Number P06162

Hong Kong, 31 March 2021

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 RMB | 2019 RMB |
|---|---|---|---|
| Revenue | 7 | 231,734,330 | 189,133,588 |
| Cost of sales | | (686,880) | (1,169,497) |
| Gross profit | | 231,047,450 | 187,964,091 |
| Other revenue | 8 | 6,345,001 | 6,212,773 |
| Other gains and losses, net | 9 | 34,975,498 | 8,518,352 |
| Selling and distribution expenses | | (147,845,135) | (107,147,270) |
| Administration expenses | | (62,084,382) | (65,180,304) |
| (Provision for)/reversal of impairment losses on trade and other receivables | 36(a) | (287,636) | 338,433 |
| Operating profit | | 62,150,796 | 30,706,075 |
| Finance costs | 10 | (15,642,209) | (13,960,599) |
| Profit before income tax | 11 | 46,508,587 | 16,745,476 |
| Income tax expense | 13 | (14,949,047) | (3,620,943) |
| Profit for the year | | 31,559,540 | 13,124,533 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 31,559,540 | 13,124,533 |
| Earnings per share (RMB) | 14 | | |
| - Basic | | 0.027 | 0.011 |
| - Diluted | | 0.026 | 0.005 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2020

| | Notes | 2020 RMB | 2019 RMB |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | 16,367,407 | 9,641,986 |
| Intangible assets | 17 | 66,055,631 | 70,214,961 |
| Goodwill | 18 | 3,440,400 | 3,440,400 |
| Deferred tax assets | 26 | 1,177,508 | 13,975,759 |
| ***Total non-current assets*** | | 87,040,946 | 97,273,106 |
| **CURRENT ASSETS** | | | |
| Inventories | 20 | 153,606 | 325,309 |
| Trade and other receivables | 21 | 495,140,236 | 510,703,440 |
| Loan to a director | 19 | - | 40,000,000 |
| Amount due from a related party | 19 | 1,066 | - |
| Tax recoverable | | 3,417,927 | 4,871,474 |
| Cash and bank balances | 22 | 117,506,895 | 108,125,080 |
| ***Total current assets*** | | 616,219,730 | 664,025,303 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 29 | 8,164,447 | 983,615 |
| Deferred tax liabilities | 26 | 6,874,743 | 7,181,423 |
| ***Total non-current liabilities*** | | 15,039,190 | 8,165,038 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 23 | 75,486,249 | 126,723,487 |
| Contract liabilities | 7 | 152,446,550 | 168,993,418 |
| Amount due to a related party | 19 | - | 17,256 |
| Amount due to a director | 19 | 3,590,000 | 45,680,000 |
| Derivative financial instruments | 24 | 821,730 | 1,723,463 |
| Bank and other loans | 25 | 94,620,000 | 82,700,000 |
| Lease liabilities | 29 | 5,724,185 | 4,082,163 |
| Current tax liabilities | | 2,814,954 | 2,055,306 |
| ***Total current liabilities*** | | 335,503,668 | 431,975,093 |
| **NET CURRENT ASSETS** | | 280,716,062 | 232,050,210 |
| **NET ASSETS** | | 352,717,818 | 321,158,278 |
| **EQUITY** | | | |
| Share capital | 27 | 313,675,893 | 313,675,893 |
| Reserves | 28 | 39,041,925 | 7,482,385 |
| ***TOTAL EQUITY*** | | 352,717,818 | 321,158,278 |

The consolidated financial statements on pages 38 to 82 were approved by and authorised for issue by the board of directors on 31 March 2021 and are singed on its behalf by:

Mr. Ross Benson
Director

Ms. Amalisia Zhang
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2020

| | Share capital | Statutory reserve | Other reserve | Retained earnings/ (accumulated losses) | Total |
|---|---|---|---|---|---|
| | RMB | RMB | RMB | RMB | RMB |
| | (Note 27) | (Note 28) | (Note 28) | | |
| **Balances at 1 January 2019** | 313,675,893 | - | - | (3,142,148) | 310,533,745 |
| **Acquisition of additional interests in a subsidiary** | - | - | (2,500,000) | - | (2,500,000) |
| **Profit for the year and total comprehensive income for the year** | - | - | - | 13,124,533 | 13,124,533 |
| **Transfer to statutory reserve** | - | 1,840,198 | - | (1,840,198) | - |
| **Balance at 31 December 2019** | 313,675,893 | 1,840,198 | (2,500,000) | 8,142,187 | 321,158,278 |
| **Profit for the year and total comprehensive income for the year** | - | - | - | 31,559,540 | 31,559,540 |
| **Transfer to statutory reserve** | - | 3,743,523 | - | (3,743,523) | - |
| **Balance at 31 December 2020** | 313,675,893 | 5,583,721 | (2,500,000) | 35,958,204 | 352,717,818 |

- These reserve accounts comprise the consolidated reserves of RMB39,041,925 (2019: RMB7,482,385) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | 46,508,587 | 16,745,476 |
| Adjustments for: | | |
| Interest income | (845,339) | (2,291,882) |
| Finance costs | 15,642,209 | 13,960,599 |
| Depreciation of property, plant and equipment | 8,331,841 | 7,621,837 |
| Loss on disposal of property, plant and equipment | - | 2,991 |
| Amortisation of intangible assets | 4,308,036 | 4,059,093 |
| Amortisation of deferred initial differences on derivative financial liabilities | 504,250 | 546,855 |
| Provision for/(reversal of) impairment loss of trade receivables | 287,636 | (338,433) |
| Change in fair value of derivative financial instruments | (1,405,983) | (2,125,975) |
| Gain on redemption of equity-linked loans | - | (5,971,171) |
| Exchange loss/(gain), net | 83,747 | (421,206) |
| **Operating profit before changes in working capital** | 73,414,984 | 31,788,184 |
| Decrease in inventories | 171,703 | 773,706 |
| Decrease/(increase) in trade and other receivables | 15,275,568 | (62,187,420) |
| (Decrease)/increase in trade and other payables and contract liabilities | (67,784,106) | 64,290,985 |
| Increase in balance with a related party | (18,322) | (118,801) |
| **Cash generated from operations** | 21,059,827 | 34,546,654 |
| Interest received | 845,339 | 2,291,882 |
| Income taxes paid | (244,281) | (672,093) |
| **Net cash generated from operating activities** | 21,660,885 | 36,166,443 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | (22,552) | (3,006,155) |
| Additions of intangible assets | (148,706) | (1,798,933) |
| Repayment from a director | 40,000,000 | - |
| Decrease in pledged bank deposit | 10,000,000 | 33,600,000 |
| **Net cash generated from investing activities** | 49,828,742 | 28,794,912 |

# CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Cash flows from financing activities** | | |
| (Repayment to)/advances from a director | (42,090,000) | 31,700,000 |
| Proceeds from borrowings | 84,070,000 | 67,700,000 |
| Repayments of borrowings | (72,150,000) | (106,969,129) |
| Acquisition of additional interests in a subsidiary | - | (2,500,000) |
| Interest paid | (15,642,209) | (13,494,897) |
| Repayment of principal portion of lease liabilities | (6,211,856) | (5,679,137) |
| **Net cash used in financing activities** | (52,024,065) | (29,243,163) |
| **Net increase in cash and cash equivalents** | 19,465,562 | 35,718,192 |
| **Cash and cash equivalents at the beginning of year** | 93,125,080 | 56,985,682 |
| **Effect of exchange rate changes on cash and cash equivalents** | (83,747) | 421,206 |
| **Cash and cash equivalents at the end of year** | 112,506,895 | 93,125,080 |

# Notes to the Financial Statements

## CONTENTS

**to the notes to the financial statements**

## 1. GENERAL

99 Technology Limited (formerly known as 99 Wuxian Limited) (the "Company") is a limited liability company incorporated in Hong Kong. The Company passed a special resolution on 2 March 2020 to change its name from 99 Wuxian Limited to 99 Technology Limited and the approval of the Registrar in Hong Kong on the change of name was obtained on 14 April 2020. Its CHESS Depositary Interests ("CDIs") are listed on the Australian Securities Exchange (stock code: NNT). The principle place of business is located at 3F, Hong Kong Prosperity Tower, Meng Zi Rd, Huangpu District, Shanghai, 200023. The address of the registered office is located at 27/F., Alexandra House, 18 Chater Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of subsidiaries are described in note 32 to the financial statements. The Company and its subsidiaries are referred to as the "Group" hereinafter.

## 2. Adoption of HONG KONG FINANCIAL REPORTING Standards ("HKFRSs")

### (a) Adoption of new/revised HKFRSs – effective 1 January 2020

In current year, the Group has adopted, for the first time, the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants which are relevant to the Group's operations and effective for its financial statements for the annual period beginning on 1 January 2020:

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Interest Rate Benchmark Reform |
| Revised Conceptual Framework | Revised Conceptual Framework for Financial Reporting |

The new or amended HKFRSs did not have any material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5] |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[2] |
| Amendments to HKAS 16 | Proceeds before Intended Use[3] |
| Amendments to HKAS 37 | Onerous Contracts - Cost of Fulfilling a Contract[3] |
| HKFRS 17 | Insurance Contracts[5] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[4] |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions[1] |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[2] |
| Annual Improvements to HKFRSs 2018-2020[2] | Annual Improvements to HKFRSs 2018-2020[3] |

[1] Effective for annual periods beginning on or after 1 June 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective for annual periods beginning on or after 1 January 2022.

[4] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

[5] Effective for annual periods beginning on or after 1 January 2023.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the application of these amendments will have no material impact on the consolidated financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

### (b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value as explained in the accounting policies set out below.

### (c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company as the majority of the Group's transactions are denominated in RMB.

## 4. PRINCIPAL ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the Group is set out below.

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration

classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

## (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

## (c) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(n)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

## (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|---|---|
| Leasehold improvements | The shorter of lease terms and 5 years |
| Electronic and office equipment | 3 years |
| Motor vehicles | 4 years |

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

## (e) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

***Right-of-use asset***

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

***Lease liability***

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

## (f) Financial instruments

### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

**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:

Amortised 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 amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("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. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVPL: Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

**Equity instruments**

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group applies simplified approach in HKFRS 9 to measure loss allowance for all trade receivables at an amount equal to lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a default event occurs when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

### (iii)Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

**Financial liabilities at FVPL**

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

**Financial liabilities at amortised cost**

Financial liabilities at amortised cost, including trade and other payables, amount due to a related party and a director, lease liabilities and bank and other loans, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### (iv)Convertible loan notes

The component of convertible loan notes that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible loan notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible loan notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible loan notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

### (v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

### (vi)Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Under the Hong Kong Companies Ordinance, Cap. 622, shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares is credited to share capital. Commissions and expenses are allowed to be deducted from share capital.

### (vii)Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4(f)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

### (viii)Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

## (g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within 3 months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 4(f)(ii).

## (i) Revenue recognition

**Revenue recognition**

Commission and service income

Commission and service income is derived from various comprehensive services such as provision of mobile recharge, online game recharge and merchandise sourcing services on mobile and online marketplaces in the PRC. Revenue is recognised upon on the completion of sourcing services.

Sale of merchandises

The Group's contracts with customers for the sale of merchandises generally include one performance obligation. The Group has concluded that revenue from sale of merchandises should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the merchandises.

No element of financing is deemed present as the revenue are generally made with a credit term of 0-45 days, which is consistent with market practice.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

**Principal versus agent considerations**

Determining whether the Group is acting as a principal or as an agent in the provision of services and sale of merchandises requires judgements and considerations of all relevant facts and circumstances. The Group is a principal in a transaction if the Group obtains control of services/merchandises provided before they are transferred to customers. If control is unclear, when the Group is primarily responsible for fulfilling the promise to provide the specified good or service in a transaction, has inventory risk and/or has latitude in establishing price and selecting supplier, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned.

**Contract liability**

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## (j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax

liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

## (k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

## (l) Employee benefits

### (i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

### (ii)Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

### (iii)Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### (iv)Other employee entitlements

Employee entitlements to annual leave are recognised when they accrue to the 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 reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## (m) Intangible assets

### (i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

| | |
|---|---|
| Licensing arrangement | 30 years |
| Insurance license | 25 years |
| Computer software | 3 to 4 years |

### (ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(n)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

## (n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model; and
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4(c)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

## (o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable to result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## (p) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

## (q) Related Parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Except as discussed below, the directors of the Company are of the opinion that there are no significant effects on amounts recognised in the financial statements arising from the judgement used by management.

### (a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

## (b) Revenue recognition for m-Commerce transaction business

Certain m-Commerce transactions for mobile recharge, online game recharge, and merchandise sourcing services are recognised on a net basis. In assessing the recognition basis, the management concluded that the Group did not obtain control of goods or services provided before they are transferred to customers, while the Group mainly offers the service in sourcing the content providers on behalf of the customers, collecting money on behalf of the content providers as well as customer service to end users through the mobile marketplace. Therefore, the management reports the revenue of these m-Commerce transactions on a net basis.

## (c) Income taxes

The Group is subject to income taxes in the jurisdiction it operates. Significant judgement is required in determining the amount of provision for income taxes as well as deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## (d) Depreciation and amortisation

Property, plant and equipment are depreciated and intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual values. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

## (e) Impairment assessment of property, plant and equipment and intangible assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment and intangible assets, recoverable amounts of these assets need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value-in-use. It is difficult to precisely estimate fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flows generated by the assets are discounted to their present values, which require significant judgement relating to items such as level of sales, selling price, amount of operating costs and discount rate. The Group uses all readily available information in determining amounts that are reasonable approximations of recoverable amounts, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

## (f) Impairment assessment of trade and other receivables

In considering the impairment losses that may be required for receivables, future cash flows need to be determined. One of the key assumptions that have to be applied is the ability of the debtors to settle the receivables. Although the Group has used all available information to make this estimation, inherent uncertainty exists and actual may be different from the amount estimated.

## 6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's operating activities are attributable to a single operating segment focusing on provision of offering various services.

The Group's chief operating decision maker monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities is presented.

### (a) Geographical information

All of the Group's operations and assets are located in the PRC (including Hong Kong), in which all of its revenue was derived.

### (b) Information about major customers

No revenue are derived from customers which individually contributed more than 10% to the Group's revenue for the year ended 31 December 2019 and 2020.

## 7. REVENUE

Revenue includes the net invoiced value of goods sold and commission income earned by the Group. Revenue from contracts with customer within the scope of HKFRS 15 during the year are disaggregated by each significant category of revenue and timing of revenue recognition as follows:

**Significant category**

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Revenue from contracts with customers** | | |
| - Commission and service income | 231,387,473 | 188,096,385 |
| - Sales of merchandise | 346,857 | 1,037,203 |
| **Total** | 231,734,330 | 189,133,588 |

**Timing of revenue recognition**

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Revenue recognised at point in time** | 231,734,330 | 189,133,588 |

The following table provides information about trade receivables and contract liabilities from contracts with customers:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Receivables** | 192,668,698 | 182,733,168 |
| **Contract liabilities** | 152,446,550 | 168,993,418 |

The contract liabilities mainly relate to the advance considerations received from customers. Contract liabilities as at 1 January 2020 was RMB168,993,418 (1 January 2019: RMB134,370,547), of which RMB168,993,418 (2019: RMB131,890,599) was recognised as revenue during the year and the contract liabilities as at 31 December 2020 was arising from the advance considerations received from customers.

The Group has applied the practical expedient and decided not to disclose the amount of the remaining performance obligations for contracts as performance obligations under the contracts had an original expected duration of one year or less.

## 8.OTHER REVENUE

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Interest income** | | |
| - Bank deposits | 535,339 | 1,091,882 |
| - Loan to a director | 310,000 | 1,200,000 |
| **Government grants*** | 4,746,699 | 3,141,890 |
| **Others** | 752,963 | 779,001 |
| | 6,345,001 | 6,212,773 |

* The Group received unconditional discretionary grants from the relevant PRC government authorities in support of enterprises operating in specified industry.

## 9. OTHER GAINS AND LOSSES, NET

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Exchange (loss)/gain, net | (83,747) | 421,206 |
| Change in fair value of derivative financial instruments (note 24) | 1,405,983 | 2,125,975 |
| Gain on redemption of equity linked loans (note 24) | - | 5,971,171 |
| Reversal of Value-added Tax ("VAT") payable (note 23(a)) | 33,653,262 | - |
| | 34,975,498 | 8,518,352 |

## 10. FINANCE COSTS

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Interest on bank loans | 756,888 | 3,480,585 |
| Interest on debt elements of equity-linked loans | - | 448,966 |
| Interest on other loans | 14,217,511 | 9,234,477 |
| Interest on lease liabilities | 667,810 | 796,571 |
| | 15,642,209 | 13,960,599 |

## 11. 11.PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Auditor's remuneration | 982,348 | 992,211 |
| Cost of inventories recognised as an expense | 249,243 | 852,441 |
| **Employee costs (including directors) comprise:** | | |
| - Contribution on defined contribution retirement plan | 6,386,954 | 12,738,796 |
| - Salaries and staff benefits | 51,021,655 | 50,024,390 |
| | 57,408,609 | 62,763,186 |
| Short-term leases expenses | 106,130 | 282,821 |
| Amortisation of intangible assets (note 17) | 4,308,036 | 4,059,093 |
| Depreciation of property, plant and equipment (note 16) | | |
| - Owned property, plant and equipment | 2,023,715 | 1,625,390 |
| - Right-of-use-assets | 6,308,126 | 5,996,447 |
| | 8,331,841 | 7,621,837 |

## 12.DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Directors' fees | 960,000 | 960,000 |
| Salaries, bonuses, allowances and benefits | 2,310,000 | 2,190,000 |
| Contribution on defined contribution retirement plan | 74,061 | 100,407 |
| | 3,344,061 | 3,250,407 |

## 13.INCOME TAX EXPENSE

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Current tax – PRC | | |
| -Tax for the year | 2,457,476 | 963,683 |
| -Over-provisions in prior years | - | (183,642) |
| | 2,457,476 | 780,041 |
| Deferred tax (note 26) | 12,491,571 | 2,840,902 |
| Income tax expense | 14,949,047 | 3,620,943 |

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on estimated assessable profits arising in Hong Kong, except the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25% (2019: 8.25%). No provision for Hong Kong profits tax has been made as the Company had no assessable profits for the year.

PRC Enterprise Income Tax ("EIT") is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof. By reference to the EIT Law of the PRC as approved by the National People's Congress on 16 March 2007, EIT rate applicable to PRC group companies for the current year is 25% (2019: 25%).

Shanghai Handpal Information Technology Co., Ltd. ("Shanghai Handpal") and Shanghai Handqian Information Technology Co., Ltd. ("Shanghai Handqian") has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 2 December 2019 and is subject to preferential tax rate of 15% for three years commencing from 1 January 2019, on the condition that the annual written approval from the relevant government authorities is obtained.

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Profit before income tax | 46,508,587 | 16,745,476 |
| Tax calculated at the PRC EIT | 11,627,147 | 4,186,369 |
| Effect of non-taxable and non-deductible items, net | 2,936,604 | (1,094,618) |
| Effect of tax losses not recognised | 1,107,732 | 1,013,318 |
| Deductible temporary difference not recognised | (719,693) | (228,135) |
| Utilisation of tax losses previously not recognised | (2,743) | (72,349) |
| Over-provision in prior years | - | (183,642) |
| Income tax expense | 14,949,047 | 3,620,943 |

## 14.EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

Earnings

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Earnings for the purposes of basic earnings per share | 31,559,540 | 13,124,533 |
| Effect of dilutive potential ordinary shares - call options | (901,733) | (7,101,325) |
| Earnings for the purpose of diluted earnings per share | 30,657,807 | 6,023,208 |

Number of shares

| | 2020 | 2019 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,159,682,763 | 1,159,682,763 |
| Effect of dilutive potential ordinary shares - call options | 36,929,825 | 36,929,825 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,196,612,588 | 1,196,612,588 |

## 15.DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019 and 2020, nor has any dividend been proposed since the end of reporting period.

## 16.PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Electronic and office equipment | Motor vehicle | Buildings | Total |
|---|---|---|---|---|---|
| | **RMB** | **RMB** | **RMB** | **RMB** | **RMB** |
| **Cost** | | | | | |
| At 1 January 2019 | 4,268,211 | 10,176,624 | 1,229,060 | 8,746,791 | 24,420,686 |
| Additions | 32,427 | 2,973,728 | - | 2,185,944 | 5,192,099 |
| Disposals | - | (91,202) | - | - | (91,202) |
| At 31 December 2019 | 4,300,638 | 13,059,150 | 1,229,060 | 10,932,735 | 29,521,583 |
| Additions | 13,028 | 9,524 | - | 127,459 | 150,011 |
| Write off | - | - | - | (8,825,777) | (8,825,777) |
| Effect of lease modification | - | - | - | 14,907,251 | 14,907,251 |
| At 31 December 2020 | 4,313,666 | 13,068,674 | 1,229,060 | 17,141,668 | 35,753,068 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2019 | 2,781,691 | 8,542,193 | 1,022,087 | - | 12,345,971 |
| Charge for the year | 841,931 | 637,939 | 145,520 | 5,996,447 | 7,621,837 |
| Disposals | - | (88,211) | - | - | (88,211) |
| At 31 December 2019 | 3,623,622 | 9,091,921 | 1,167,607 | 5,996,447 | 19,879,597 |
| Charge for the year | 646,930 | 1,315,332 | 61,453 | 6,308,126 | 8,331,841 |
| Write off | - | - | - | (8,825,777) | (8,825,777) |
| At 31 December 2020 | 4,270,552 | 10,407,253 | 1,229,060 | 3,478,796 | 19,385,661 |
| **Net book value** | | | | | |
| At 31 December 2020 | 43,114 | 2,661,421 | - | 13,662,872 | 16,367,407 |
| At 31 December 2019 | 677,016 | 3,967,229 | 61,453 | 4,936,288 | 9,641,986 |

## 17.INTANGIBLE ASSETS

| | Licensing arrangement RMB (note (b)) | Insurance license RMB (note (c)) | Computer software RMB | Total RMB |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2019 | 55,760,000 | 27,000,000 | 4,549,770 | 87,309,770 |
| Additions | - | - | 1,798,933 | 1,798,933 |
| At 31 December 2019 | 55,760,000 | 27,000,000 | 6,348,703 | 89,108,703 |
| Additions | - | - | 148,706 | 148,706 |
| At 31 December 2020 | 55,760,000 | 27,000,000 | 6,497,409 | 89,257,409 |
| **Accumulated amortisation** | | | | |
| At 1 January 2019 | 10,377,557 | 1,080,000 | 3,377,092 | 14,834,649 |
| Amortisation expense | 1,858,666 | 1,080,000 | 1,120,427 | 4,059,093 |
| At 31 December 2019 | 12,236,223 | 2,160,000 | 4,497,519 | 18,893,742 |
| Amortisation expense | 1,858,667 | 1,080,000 | 1,369,369 | 4,308,036 |
| At 31 December 2020 | 14,094,890 | 3,240,000 | 5,866,888 | 23,201,778 |
| **Carrying amounts** | | | | |
| At 31 December 2020 | 41,665,110 | 23,760,000 | 630,521 | 66,055,631 |
| At 31 December 2019 | 43,523,777 | 24,840,000 | 1,851,184 | 70,214,961 |

### Notes:

(a) Amortisation expenses have been included in:

| | 2020 RMB | 2019 RMB |
|---|---|---|
| Consolidated statement of profit or loss and other comprehensive income: | | |
| - Administration expenses | 4,308,036 | 4,059,093 |

(b) In accordance with a licensing agreement entered into between the Group and Shanghai Handpay Information & Technology Co., Ltd ("Handpay") in 2013 and the relevant supplementary agreements entered into in 2015 (together the "Handpay Service Agreements"), the Group acquired all rights, title and interest to the operating results of mobile marketplace. The licensing period is 30 years and RMB55,760,000 was paid by the Group to Handpay in 2013 in accordance with the Handpay Service Agreements. As at 31 December 2020, the licensing agreement has a remaining amortisation period of 22 years.

99tech.com's mobile marketplace conducts its business mainly in business to business to consumer platforms by linking business partners ("Business Partners") and merchants ("Merchants"), which forms the underlying platforms of all principal business of the Group. Business Partners include large scale companies from the banking, finance, insurance and telecommunication sectors with strong customer bases and merchant resources. Merchants include telecommunication companies, online game providers and travel agents which can provide goods or service to customers through 99tech.com mobile marketplace.

(C) In 2017, the Group entered into an equity transfer agreement and a series of supplementary agreements (together the "Beijing Dingli Agreements") with the shareholders of Beijing Dingli Insurance Brokers Limited ("Beijing Dingli") ("Dingli Vendors") to acquire 95% equity interests of Beijing at a consideration of RMB27,000,000.

Beijing Dingli is principally engaged in provision of agency services on insurance products in the PRC. The directors have assessed and considered the major asset as obtained from the acquisition of Beijing Dingli was an insurance brokerage license (the "Insurance License"), which would enhance the diversity and flexibility of insurance services and products offered on 99tech.com mobile marketplace.

In accordance with the Beijing Dingli Agreements, the operations, assets (excluding the Insurance License and a restricted bank balance (note 22(b)) and liabilities of Beijing Dingli existed on the acquisition completion date are beneficially owned by Dingli Vendors after the acquisition completion date whilst Dingli Vendors will not be entitled to any profit or loss of Beijing Dingli after the acquisition completion date irrespective of their holding of 5% equity interests in Beijing Dingli.

In 2019, the Group has entered into a supplementary agreement with Dingli Vendor to acquire the remaining 5% equity interests in Beijing Dingli at a consideration of RMB2,500,000. Upon completion of the acquisition, Beijing Dingli became an indirect wholly-owned subsidiary of the Company.

As at 31 December 2020, the Insurance License has a remaining amortisation period of 22 years (2019: 23 years).

## 18.GOODWILL

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| As at 1 January and 31 December | 3,440,400 | 3,440,400 |

For the purpose of impairment testing, goodwill is allocated to the CGU in relation to the Group's provision of services via online marketplace in the PRC.

The recoverable amount of the CGU has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 20% (2019: 21%). Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 5% (2019: 5%), which does not exceed the long-term growth rate for the mobile payment industry in the PRC.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. Average annual growth rate over the five-year forecast period is based on past performance and management's expectations of market development.

## 19.LOAN TO/(AMOUNT DUE TO) A DIRECTOR AND AMOUNT DUE FROM/(TO) A RELATED PARTY

(a) Loan to a director of the Company disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

| Name of the director | 31 December 2020<br>RMB | Maximum amount outstanding during the year<br>RMB | 31 December 2019<br>RMB | Maximum amount outstanding during the yea<br>RMB | 1 January 2019<br>RMB |
|---|---|---|---|---|---|
| Ms. Amalisia Zhang("Ms. Zhang") | | | | | |
| - Loan from the Group (note) | - | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 |

As at 31 December 2019, the loan receivable of RMB40,000,000 due from Ms. Zhang to the Company is repayable on 22 December 2020, secured by equity interests of the Company held by Grand Ease Holdings Limited, and interest bearing at an annual interest of either 3%, or a mark-up annual interest that equals to a 50% margin to the prevailing RMB bank deposit rate quoted by Hong Kong Branch of China Merchants Bank, whichever is higher. The loan has been settled in full during the year ended 31 December 2020.

(b) The amount due from a related party represent an amount due from Superio Pty Limited (formerly known as Investorlink Corporate Limited) in which Mr Ross Benson and Mr Christopher Ryan, are directors and key management personnel of the Company, are beneficial owners. The balance is unsecured, interest-free and repayable on demand.

| Name of the related party | 31 December 2020<br>RMB | Maximum amount outstanding during the year<br>RMB | 31 December 2019<br>RMB | Maximum amount outstanding during the yea<br>RMB | 1 January 2019<br>RMB |
|---|---|---|---|---|---|
| Superio Pty Limited | 1,066 | 1,066 | - | - | - |

(c) As at 31 December 2020 and 2019, the amount due to a director represent an amount due to Ms. Zhang which was unsecured, interest-free and repayable on demand.

(d) As at 31 December 2019, the amount due to a related party represents an amount due to Superio Pty Limited in which Mr. Ross Benson and Mr Christopher Ryan, are directors and key management personnel of the Company, are beneficial owners. The balance is unsecured, interest-free and repayable on demand.

## 20.INVENTORIES

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Marketing merchandise | 153,606 | 325,309 |

## 21.TRADE AND OTHER RECEIVABLES

| | Notes | 2020<br>RMB | 2019<br>RMB |
|---|---|---|---|
| Trade receivables | (a) | 192,668,698 | 182,733,168 |
| Prepayments to suppliers | | 87,250,664 | 130,272,325 |
| Other prepayments | | 2,130,607 | 6,179,685 |
| Deposits | | 2,119,844 | 2,063,967 |
| Other receivables | | 14,461,194 | 5,382,480 |
| Other receivable from Handpay | (b) | 196,509,229 | 184,071,815 |
| | | 495,140,236 | 510,703,440 |

Notes:

(a) Trade receivables arose from m-Commerce transactions and mobile marketing business.

During the year, the Group discounted part of its trade receivables with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged ranging from 17% to 22.5% (2019:17.5% to 22.5%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

As the Group retains substantially significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of these trade receivables, and includes the proceeds received from the discounting transactions as other loans (note 25(c)). At 31 December 2020, trade receivables of RMB40,751,316 (31 December 2019: RMB36,684,433) have been legally transferred to the financial institutions. The carrying amount of the transferred assets and their associated liabilities approximates their fair values as at 31 December 2020 and 2019.

The Group did not have the authority to determine the disposition of the trade receivables under discounting transactions because these trade receivables have been transferred to the financial institutions legally.

(b) Other receivable due from Handpay is mainly derived from the operation of 99tech.com mobile marketplace. In accordance with the Handpay Service Agreements, during the transition period, Handpay would continue to perform all third party contracts entered into with respect to the 99tech.com mobile marketplace until renewal of existing contracts. Handpay also collects revenue and pay expenses on behalf of the Group. The amount is unsecured, interest-free and repayable on demand.

The Group and the Company recognised impairment loss based on the accounting policy stated in note 4(f)(ii).

Trade receivables are due within 0-45 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 36(a).

## 22.CASH AND BANK BALANCES

| | Notes | 2020 RMB | 2019 RMB |
|---|---|---|---|
| Cash and bank balances | | 117,506,895 | 108,125,080 |
| Less: | | | |
| Deposit pledged against bank loans | (a) | - | (10,000,000) |
| Deposit restricted for insurance brokerage work | (b) | (5,000,000) | (5,000,000) |
| Cash and cash equivalents for the purpose of the consolidated statement of cash flows | | 112,506,895 | 93,125,080 |

Notes:

(a) At 31 December 2019, bank deposit with interest rate of 2% per annum were pledged against bank loan due to be settled within twelve months after the reporting period (note 25(a)), and had a maturity within twelve months after the reporting date.

(b) In accordance with relevant provision of Insurance Law of the PRC, Beijing Dingli has placed an amount equal to 10% of its paid-up capital as restricted deposits. On the condition that approval is obtained from China Insurance Regulatory Commission, the deposits can be withdrawn by the Group.

## 23. TRADE AND OTHER PAYABLES

| | Notes | 2020 RMB | 2019 RMB |
|---|---|---|---|
| Trade payables | | 31,678,084 | 52,346,081 |
| Accruals and other payables | (a) | 43,808,165 | 74,377,406 |
| | | 75,486,249 | 126,723,487 |

Notes:

(a) The Group is in progress to finalise certain tax treatment in relation to VAT amounted to RMB28,898,686 as at 31 December 2020 (2019: RMB62,524,309) filing with relevant tax authority in the PRC. As at 31 December 2020, VAT amounted to RMB33,653,262 (2019: Nil) was reversed in accordance with relevant regulation in the PRC and recognised as other gain for the year ended 31 December 2020 (note 9). In the opinion of the management, there is possibility that VAT of RMB28,898,686 (31 December 2019: RMB62,524,309) may be reversed.

## 24. AMOUNTS DUE TO A RELATED PARTY/A DIRECTOR

Equity-linked Loans I

In November 2017, the Group obtained three equity-linked loans with principal amounts of Australian Dollars ("A$") 950,000 (equivalent to RMB4,974,105), RMB6,250,000 and RMB5,000,000 (collectively "Equity-linked Loans I") respectively for general working capital purpose. Equity-linked Loans I carry a coupon rate of 10% per annum, which are paid quarterly on 17 February 2018, 17 May 2018, 17 August 2018 and 17 November 2018 ("Maturity Date I"). The lenders of Equity-linked Loans I are entitled to unlisted call options ("Call Options I") which would provide the lenders the right to acquire a maximum of total 31,429,825 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 17 November 2020.

On 17 November 2018, the Company redeemed part of the Equity-linked Loans I at a price equal to the sum of principal amount of RMB4,056,026 upon its maturity. The terms and conditions of the principal amount of RMB12,168,079 (the "Modified Equity-linked Loans I") were amended and modified (the "Modification"). The Maturity Date I of Modified Equity-linked Loans I is extended by four months, from 17 November 2018 to 17 March 2019. The coupon rate is adjusted from 10% to 13% per annum. The Call Options I are extended by six months and convertible at any time prior to 17 May 2021. Except for the above, all other terms and conditions of the Modified Equity-linked Loans I remain unchanged from the original terms.

Equity-linked Loan II

In January 2018, the Group obtained an equity-linked loan with principal amount of A$250,000 (equivalent to RMB1,271,050) ("Equity-linked Loan II") for general working capital purpose. Equity-linked Loan II carries a coupon rate of 10% per annum, which is paid quarterly on 22 April 2018, 22 July 2018, 22 October 2018 and 22 January 2019 ("Maturity Date II"). The lender of Equity-linked Loan II is entitled to unlisted call options ("Call Options II") which would provide the lender the right to acquire a maximum of total 2,500,000 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 22 January 2021.

Equity-linked Loan III

In February 2018, the Group obtained an equity-linked loan with principal amount of RMB1,500,000 ("Equity-linked Loan III") (together with the Equity-linked Loans I and Equity-linked Loan II referred as the "Equity-linked Loans") for general working capital purpose. Equity-linked Loan III carries a coupon rate of 10% per annum, which is paid quarterly on 20 May 2018, 20 August 2018, 20 November 2018 and 20 February 2019 (together with the Maturity Date I and Maturity Date II referred as the "Maturity Dates"). The lender of Equity-linked Loan III is entitled to unlisted call options (together with the Call Options I and Call Options II referred as the "Call Options") which would provide the lender the right to acquire a maximum of total 3,000,000 CDIs of the Company at a fixed price of A$0.1 per option at any time prior to 20 February 2021.

In the event Call Options are exercised by the lenders prior to Maturity Dates, the proceeds from Call Options exercised will be repaid by the Group to the lenders as a loan reduction of the principal within 30 days of receipt of the proceeds of Call Options exercised from the lenders. During the period, no Call Options have been exercised and converted into CDI of the Company by lenders.

The Group determined that the feature of Call Options will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company's shares. Each of the Equity-linked Loans is separately recognised as derivative financial liabilities consisting of Call Options, and a liability component consisting of a straight debt element. The Call Options are separated into two portions where options with a term same as the liability components ("Initial Options"); and standalone options with a term of two years subject to the condition if the lenders forfeit the liability components by exercising Initial Options ("Subsequent Options").

In the opinion of the management, the total transaction prices of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III of RMB16,224,105, RMB1,271,050 and RMB1,500,000 respectively were not the best evidence of their aggregated fair values as the total fair values of Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at initial recognition determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB25,405,571, RMB1,827,887 and RMB1,954,025 respectively.

The total loss on initial recognition of Call Options and debt elements determined by the initial differences between fair values and transaction price are deferred and allocated to the carrying amounts of Call Options and debt elements respectively. After initial recognition, the deferred initial differences are recognised as gains or losses only to the extent that they arise from a change in a factor (including time) that market participants would take into account when pricing the Equity-linked Loans. As at 31 December 2020, the unamortised deferred initial differences amounted to RMB30,738 (31 December 2019: RMB534,988) were included in Call Options.

The Modification of Equity-linked Loans I is accounted for as an extinguishment of the original financial liabilities of the Equity-linked Loans I as the discounted present value of the cash flow of the Modified Equity-linked Loans I is more than 10% difference from the discounted present value of the cash flow of the outstanding Equity-linked Loans I prior to the Modification. The difference between the carrying amounts of the outstanding Equity-linked Loans I prior to the Modification and the amount recognised as new financial liabilities, being the fair values of the Modified Equity-linked Loans I, has been recognised in other gains or losses during the year ended 31 December 2018. The total fair values of Modified Equity-linked Loans I at the date of the Modification determined by a firm of independent professional valuer, based on Binominal model that does not only use data from observable markets, were RMB14,994,150.

During the year ended 31 December 2019, the Group has redeemed the entire outstanding balances of Modified Equity-linked Loans I, Equity-linked Loan II and Equity-linked Loan III at a price equal to the sum of principal amounts upon their maturity. The derivative financial liabilities as at 31 December 2020 of RMB821,730 (2019: RMB1,723,463) represent the fair values of Subsequent Options.

The carrying values and movements of debt elements and derivative financial liabilities which are the Call Options of Equity-linked Loans are as follows:

| | Debt elements<br>**RMB** | Derivative financial liabilities<br>**RMB** | Total<br>**RMB** |
|---|---|---|---|
| **Carrying amount as at 1 January 2019** | 15,086,552 | 9,273,754 | 24,360,306 |
| Redemption of equity-linked loans | (14,939,129) | (5,971,171) | (20,910,300) |
| Change in fair value of derivative financial liabilities (note 9) | - | (2,125,975) | (2,125,975) |
| Amortisation of deferred initial differences on derivatives financial liabilities | - | 546,855 | 546,855 |
| Interest expense | 448,966 | - | 448,966 |
| Interest paid | (596,389) | - | (596,389) |
| **Carrying amount as at 31 December 2019** | - | 1,723,463 | 1,723,463 |
| Change in fair value of derivative financial liabilities (note 9) | - | (1,405,983) | (1,405,983) |
| Amortisation of deferred initial differences on derivatives financial liabilities | - | 504,250 | 504,250 |
| **Carrying amount as at 31 December 2020** | - | 821,730 | 821,730 |
| **Carrying amount as at 31 December 2019** | | | |
| Current portion | - | 1,723,463 | 1,723,463 |
| **Carrying amount as at 31 December 2020** | | | |
| Current portion | - | 821,730 | 821,730 |

The change in the fair value of the derivative financial liabilities during the year ended 31 December 2020 results in a fair value gain of RMB1,405,983 (2019: RMB2,125,975) (note 9). For more detailed information in relation to the fair value measurement of derivative financial liabilities, please refer to note 36.

## 25.BANK AND OTHER LOANS

| | Notes | 2020 RMB | 2019 RMB |
|---|---|---|---|
| Bank loan – secured | (a) | - | 9,500,000 |
| Bank loan – unsecured | (b) | 20,000,000 | - |
| Other loans - secured | (c) | 40,000,000 | 52,000,000 |
| Other loan – unsecured | (d) | 34,620,000 | 21,200,000 |
| | | 94,620,000 | 82,700,000 |

The Group's bank and other loans are repayable as follows:

| | 2020 RMB | 2019 RMB |
|---|---|---|
| Within one year or on demand | 94,620,000 | 82,700,000 |

The carrying amounts of the Group's bank and other loans are denominated in the following currency:

| | 2020 RMB | 2019 RMB |
|---|---|---|
| RMB | 94,620,000 | 82,700,000 |

Notes:

(a) As at 31 December 2019, the effective interest rates of the Group's secured bank loan was at 4.35% per annum.

As at 31 December 2019, bank loan of RMB9,500,000 was secured by a bank deposit of the Group of RMB10,000,000.

(b) As at 31 December 2020, the effective interest rates of the Group's unsecured bank loan was at 4.35% per annum.

As at 31 December 2020, bank loan of RMB20,000,000 was guaranteed by Ms. Zhang.

(c) As at 31 December 2020, the effective interest rates of the Group's secured other loans were ranging from 8% to 22.5% per annum (2019: 8% to 22.5%).

As at 31 December 2020, other loans of RMB40,000,000 (2019: RMB37,000,000) represents the amounts of financing obtained from financial institutions in factoring transactions on the Group's trade receivables with full recourse (note 21(a)).

As at 31 December 2019, other loans of RMB15,000,000 was secured by equity interests of a subsidiary, and guaranteed by directors of the Company, Ms. Zhang and Mr. Wen Tao, and certain subsidiaries of the Group.

(d) As at 31 December 2020, the effective interest rates of the unsecured other loan were ranging from 10.0% to 15.0% per annum (2019: 12.0% to 15.0%).

## 26. DEFERRED TAXATION

The component of deferred tax assets recognised in the consolidated statement of financial position and the movements during the years are as follows:

| | Tax losses<br>RMB |
|---|---|
| As at 1 January 2019 | 17,123,341 |
| Charged to profit or loss for the year | (3,147,582) |
| As at 31 December 2019 | 13,975,759 |
| Charged to profit or loss for the year | (12,798,251) |
| As at 31 December 2020 | 1,177,508 |

Deferred tax assets are recognised for tax losses carried forward to the extent that utilisation of the related tax losses through the future taxable profits is probable. As at 31 December 2020, the Group has unrecognised tax losses of RMB11,236,879 (2019: RMB6,805,951). The tax losses can be utilised for offsetting future taxable profits of the Group, and will be subject to expiry within next five financial years.

The component of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the years are as follows:

| | Fair value adjustment of intangible assets<br>RMB |
|---|---|
| As at 1 January 2019 | 7,488,103 |
| Credited to profit or loss for the year | (306,680) |
| As at 31 December 2019 | 7,181,423 |
| Credited to profit or loss for the year | (306,680) |
| As at 31 December 2020 | 6,874,743 |

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, no deferred tax liability has been recorded on temporary differences of RMB16,383,173 (2019: RMB7,834,349) relating to the undistributed earnings of PRC subsidiaries because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

## 27. SHARE CAPITAL

| | Number of ordinary shares | RMB |
|---|---|---|
| Issued and fully paid up: | | |
| At 1 January 2019, 31 December 2019 and 31 December 2020 | 1,159,682,763 | 313,675,893 |

All issued shares have no par value and rank pari passu in all respects including all rights as to dividends, voting and return of capital.

## 28.RESERVES

**The Group**

**(a) Statutory reserve**

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, it is required to appropriate 10% of the annual net profits of the PRC subsidiaries, after offsetting any prior years' losses as determined under the relevant PRC accounting standards, to their respective statutory reserves before distributing any net profit. When the balances of the statutory reserves reach 50% of their respective registered capital, any further appropriation is at the discretion of shareholders. Subject to certain restrictions set out in the relevant laws and regulations in the PRC, part of the statutory reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

**(b) Other reserve**

Other reserve represents the gain or loss arising from changes in ownership in interests of a subsidiary that did not result in change in control.

**The Company**

| | Retained earnings<br>RMB |
|---|---|
| At 1 January 2019 | 46,366,627 |
| Profit for the year | 2,164,141 |
| At 31 December 2019 | 48,530,768 |
| Loss for the year | (10,513,761) |
| At 31 December 2020 | 38,017,007 |

## 29.LEASES

**Nature of leasing activities (in the capacity as lessee)**

The Group leases a number of buildings in the jurisdictions from which it operates. In those jurisdictions the periodic rent of property leases is fixed over the lease term. As at 31 December 2020, the Group had 9 lease contracts (2019: 8) with the fixed monthly rent ranging from RMB1,500 to RMB411,352 (2019: RMB3,130 to RMB411,352).

**Right-of-use assets**

The net book value of the underlying assets of right-of-use assets is as follows:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Buildings leased for own use,<br>carried at depreciated cost | 13,662,872 | 4,936,288 |

Future lease payments are due as follows:

| | Minimum lease payments RMB | Interest RMB | IPresent value RMB |
|---|---|---|---|
| **As at 31 December 2020** | | | |
| Not later than one year | 6,711,860 | 987,675 | 5,724,185 |
| Later than one year and not later than two years | 8,771,199 | 640,437 | 8,130,762 |
| Later than two years and not later than five years | 36,667 | 2,982 | 33,685 |
| | 15,519,726 | 1,631,094 | 13,888,632 |
| **As at 31 December 2019** | | | |
| Not later than one year | 4,394,447 | 312,284 | 4,082,163 |
| Later than one year and not later than two years | 772,290 | 88,978 | 683,312 |
| Later than two years and not later than five years | 335,171 | 34,868 | 300,303 |
| | 5,501,908 | 436,130 | 5,065,778 |

The present value of future lease payments are analysed as:

| | 2020 RMB | 2019 RMB |
|---|---|---|
| Current liabilities | 5,724,185 | 4,082,163 |
| Non-current liabilities | 8,164,447 | 983,615 |
| | 13,888,632 | 5,065,778 |

| | 2020 RMB | 2019 RMB |
|---|---|---|
| Short term lease expense | 106,130 | 282,821 |
| Aggregate undiscounted commitments for short term leases | 65,648 | 79,278 |

Operating lease payments represent rentals payable by the Group for its offices. Leases are negotiated for terms of one to five years at fixed rental.

## 30.CAPTIAL COMMITMENT

There is no material capital commitment for the Group at the end of reporting year (2019: Nil).

## 31.STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2020 RMB | 2019 RMB |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible asset | | 41,665,110 | 43,523,777 |
| Interests in subsidiaries | 32 | 119,966,535 | 126,338,535 |
| Goodwill | | 3,440,400 | 3,440,400 |
| Total non-current assets | | 165,072,045 | 173,302,712 |
| **CURRENT ASSETS** | | | |
| Other receivables | | 175,332,350 | 175,300,025 |
| Amounts due from subsidiaries | | 18,454,182 | 23,406,760 |
| Amount due from shareholder | | 1,066 | - |
| Cash and cash equivalents | | 1,924,118 | 1,379,058 |
| Total current assets | | 195,711,716 | 200,085,843 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | 6,874,743 | 7,181,423 |
| Total non-current liabilities | | 6,874,743 | 7,181,423 |
| **CURRENT LIABILITIES** | | | |
| Other payables | | 1,394,388 | 1,339,500 |
| Amount due to shareholder | | - | 17,256 |
| Derivative financial instruments | | 821,730 | 1,723,463 |
| Current tax liabilities | | - | 920,252 |
| Total current liabilities | | 2,216,118 | 4,000,471 |
| **NET CURRENT ASSETS** | | 193,495,598 | 196,085,372 |
| **NET ASSETS** | | 351,692,900 | 362,206,661 |
| **EQUITY** | | | |
| Share capital | 27 | 313,675,893 | 313,675,893 |
| Retained earnings | 28 | 38,017,007 | 48,530,768 |
| **TOTAL EQUITY** | | 351,692,900 | 362,206,661 |

Approved by and authorised for issue by the board of directors on 31 March 2021 are signed on its behalf by:

Mr Ross Benson
Director

Ms Amalisia Zhang
Director

## 32.INTERESTS IN SUBSIDIARIES

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Unlisted equity interest, at cost | 126,338,535 | 126,338,535 |
| Provision for impairment | (6,372,000) | - |
| | 119,966,535 | 126,338,535 |

Particulars of the principal subsidiaries at 31 December 2020 are as follows:

| Name | Form of business structure | Place and date of incorporation | Place of operation and principal activity | Paid up capital/ registered capital | Percentage of ownership interest |
|---|---|---|---|---|---|
| | | | | | **Direct** |
| Ninety nine Trading (Shanghai) Co., Ltd.<br>耐特耐商贸（上海）有限公司 | Limited liability company | PRC,<br>2 July 2013 | Investment holding in PRC | HK$40,000,000 | 100% |
| Kyonichi Trading Limited<br>京日貿易有限公司 | Limited liability company | Hong Kong,<br>27 November 2015 | Investment holding | HKD10,000 | 100% |
| Aide Trading Limited<br>艾德貿易有限公司 | Limited liability company | Hong Kong,<br>28 July 2016 | Investment holding | HKD10,000 | 100% |
| | | | | | **Indirect** |
| Shanghai Xinshunhui Trading Co., Ltd.<br>上海鑫顺汇商贸有限公司 | Limited liability company | PRC,<br>27 June 2013 | Investment holding in PRC | RMB30,100,000 | 100% |
| Shanghai Handpal<br>上海瀚之友信息技术服务有限公司 | Limited liability company | PRC,<br>4 July 2013 | Provision of services on a mobile marketplace in PRC | RMB30,000,000 | 100% |
| Shanghai Handqian<br>上海瀚乾信息技术服务有限公司 | Limited liability company | PRC,<br>20 April 2015 | Provision of services on a mobile marketplace in PRC | RMB10,000,000 | 100% |
| 上海诚度信息技术有限公司 | Limited liability company | PRC,<br>12 January 2016 | Provision of services on a mobile marketplace in PRC | Nil | 100% |
| 上海邦道信息技术有限公司 | Limited liability company | PRC,<br>12 January 2016 | Provision of services on a mobile marketplace in PRC | RMB10,000,000 | 100% |
| 上海瀚栋信息技术有限公司<br>(“Shanghai Handdong”) (Note ) | Limited liability company | PRC,<br>14 September 2016 | Investment holding in PRC | RMB10,000,000 | 100% |
| 上海层畅信息技术有限公司 | Limited liability company | PRC,<br>14 March 2017 | Provision of services on a mobile marketplace in PRC | Nil | 100% |
| 上海易河信息技术有限公司 | Limited liability company | PRC,<br>10 March 2017 | Provision of services on a mobile marketplace in PRC | Nil | 100% |
| Beijing Dingli<br>北京鼎立保险经纪有限责任公司 | Limited liability company | PRC,<br>13 May 2014 | Provision of services on a mobile marketplace in PRC | RMB50,000,000 | 100% |
| 海南安鸿信息技术有限公司 | Limited liability company | PRC,<br>19 June 2018 | Provision of services on a mobile marketplace in PRC | Nil | 100% |
| 天津豐邁資訊技術有限公司 | Limited liability company | PRC,<br>12 April 2019 | Provision of services on a mobile marketplace in PRC | Nil | 100% |
| 上海志華資訊技術有限公司 | Limited liability company | PRC,<br>23 April 2019 | Provision of services on a mobile marketplace in PRC | Nil | 100% |
| 上海禎菱信息技術有限公司 | Limited liability company | PRC,<br>14 january 2020 | Provision of services on a mobile marketplace in PRC | Nil | 100% |

Notes:

In 2017, Mr. Wang Haoqi signed a trust agreement with the Group to hold the 100% equity interest in Shanghai Handdong for and on behalf of the Group and became the registered shareholder of Shanghai Handdong. In the opinion of the independent PRC legal advisor of the Group, the trust agreement is legally enforceable, and complies with the relevant PRC laws and regulations.

## 33.RELATED PARTY TRANSACTIONS

Transactions with key management personnel/Material interests of directors in transactions, arrangements or contracts

(a) All members of key management personnel are the directors of the Company. The remuneration paid to them during the year was disclosed in note 12.

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

| | Type of transaction | 2020<br>RMB | 2019<br>RMB |
|---|---|---|---|
| Superio Pty Limited | Professional services fee | 535,033 | 554,066 |
| Ms. Zhang | Interest income | 310,000 | 1,200,000 |

## 34.NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Cash available on demand | 112,506,895 | 93,125,080 |

(b) Reconciliation of liabilities arising from financing activities:

| | Bank loans (notes 25(a)&(b)) RMB | Other loans (notes 25(c)&(d)) RMB | Lease liabilities (note 29) RMB | Amounts due to a director RMB | Equity-linked Loans (note 24) RMB |
|---|---|---|---|---|---|
| **At 1 January 2019** | 82,030,000 | 25,000,000 | 8,605,920 | 13,980,000 | 24,360,306 |
| Changes from cash flows: | | | | | |
| Proceeds from borrowings | 9,500,000 | 58,200,000 | - | - | - |
| Repayments of borrowings | (82,030,000) | (10,000,000) | - | - | (14,939,129) |
| Advances from a director | - | - | - | 31,700,000 | - |
| Lease payments | - | - | (5,679,137) | - | - |
| Interest paid | (3,480,585) | (8,621,352) | (796,571) | - | (596,389) |
| Other changes: | | | | | |
| Change in fair value | - | - | - | - | (2,125,975) |
| Interest expenses | 3,480,585 | 9,234,477 | 796,571 | - | 448,966 |
| Additions in leases liabilities | - | - | 2,138,995 | - | - |
| Gain on redemption of equity-linked loans | - | - | - | - | (5,971,171) |
| Amortisation of deferred initial differences on derivatives financial liabilities | - | - | - | - | 546,855 |
| Increase in interest payables | - | (613,125) | - | - | - |
| **At 31 December 2019** | 9,500,000 | 73,200,000 | 5,065,778 | 45,680,000 | 1,723,463 |
| Changes from cash flows: | | | | | |
| Proceeds from borrowings | 20,000,000 | 64,070,000 | - | - | - |
| Repayments of borrowings | (9,500,000) | (62,650,000) | - | - | - |
| Repayment to a director | - | - | - | (42,090,000) | - |
| Lease payments | - | - | (6,211,856) | - | - |
| Interest paid | (756,888) | (14,217,511) | (667,810) | - | - |
| Other changes: | | | | | |
| Change in fair value | - | - | - | - | (1,405,983) |
| Interest expenses | 756,888 | 14,217,511 | 667,810 | - | - |
| Additions in leases liabilities | | | 127,459 | | |
| Effect of modification of leases term | - | - | 14,907,251 | - | - |
| Amortisation of deferred initial differences on derivatives financial liabilities | - | - | - | - | 504,250 |
| **At 31 December 2020** | 20,000,000 | 74,620,000 | 13,888,632 | 3,590,000 | 821,730 |

## 35.CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

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.

The capital structure of the Group consists of debts, which includes amount due to a director, bank and other loans and equity attributable to owners of the Company (including share capital and reserves). The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Group monitors capital using a gearing ratio, which is total debts divided by the total shareholders' equity. Total shareholders' equity comprises all components of equity attributable to the equity holders. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting dates were as follows:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Total debts | 98,210,000 | 128,380,000 |
| Total shareholders' equity | 352,717,818 | 321,158,278 |
| Gearing ratio | 28% | 40% |

## 36.FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

### (a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group exposed to credit risk from loan and receivables. The Group assesses credit risk based on debtor's past due record, trading history, financial condition or credit rating.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk of financial instruments as 40% (2019: 36%) of the total trade and other receivables was due from the one largest debtor of the Group.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due within 0-45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

**31 December 2020**

| | Expected loss rate (%) | Gross carrying amount RMB | Loss allowance RMB |
|---|---|---|---|
| Neither past due nor impaired | 0.2% | 180,092,192 | 360,184 |
| Less than 1 month past due | 1.0% | 9,729,819 | 97,298 |
| 1 to 3 months past due | 2.0% | 90,253 | 1,805 |
| More than 3 months | 2%-9% | 3,327,461 | 111,740 |
| | | 193,239,725 | 571,027 |

**31 December 2019**

| | Expected loss rate (%) | Gross carrying amount RMB | Loss allowance RMB |
|---|---|---|---|
| Neither past due nor impaired | 0.1% | 171,344,087 | 171,344 |
| Less than 1 month past due | 0.5% | 2,884,863 | 14,424 |
| 1 to 3 months past due | 0.5% | 3,908,745 | 19,544 |
| More than 3 months | 1%-8% | 4,878,864 | 78,079 |
| | | 183,016,559 | 283,391 |

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

| | 2020 RMB | 2019 RMB |
|---|---|---|
| Balance at 1 January | 283,391 | 621,824 |
| Provision for/(reversal of) impairment loss determined under HKFRS 9 | 287,636 | (338,433) |
| Balance at 31 December | 571,027 | 283,391 |

Increase in long overdue trade receivables and expected loss rate resulted in an increase in loss allowance of RMB287,636 during year ended 31 December 2020.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## (b) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through bank and other borrowings to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities of the Group for its non-derivative financial liabilities. The table has been drawn up using undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to pay. The table includes both interest and principal cash flows.

| | Carrying amount | Total contractual undiscounted cash flows | Within one year or on demand | More than 1 year but less than 2 years | More than 2 years but Less than 5 years |
|---|---|---|---|---|---|
| | **RMB** | **RMB** | **RMB** | **RMB** | **RMB** |
| **At 31 December 2020** | | | | | |
| Trade and other payables | 46,587,563 | 46,587,563 | 46,587,563 | - | - |
| Amount due to a director | 3,590,000 | 3,590,000 | 3,590,000 | - | - |
| Bank and other loans | 94,620,000 | 102,354,378 | 102,354,378 | - | - |
| Lease liabilities | 13,888,632 | 15,519,726 | 6,711,860 | 8,771,199 | 36,667 |
| | 158,686,195 | 168,051,667 | 159,243,801 | 8,771,199 | 36,667 |
| **At 31 December 2019** | | | | | |
| Trade and other payables | 64,199,178 | 64,199,178 | 64,199,178 | - | - |
| Amount due to a director | 45,680,000 | 45,680,000 | 45,680,000 | - | - |
| Amount due to a related party | 17,256 | 17,256 | 17,256 | - | - |
| Bank and other loans | 82,700,000 | 89,063,051 | 89,063,051 | - | - |
| Lease liabilities | 5,065,778 | 5,501,908 | 4,394,447 | 772,290 | 335,171 |
| | 197,662,212 | 204,461,393 | 203,353,932 | 772,290 | 335,171 |

## (c) Interest rate risk

The Group's cash flow interest rate risk mainly arises from bank balances and loan to a director at floating rates as disclosed in notes 22 and 19 while the Group's fair value interest-rate risk mainly arises from lease liabilities and bank and other loans at fixed rates as disclosed in note 25. The Group's policy is manage its interest rate risk, working within an agreed framework, to ensure there no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The directors considered that the Group's interest rate risk is minimal and the Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's loan to a director, bank and other loans are disclosed in notes 19 and 25 respectively.

## (d) Currency risk

The following table indicates the approximate change in the Group's profit for the year and retained earnings and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number in the sensitivity analysis below indicates an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the reporting date are as follows respectively:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Denominated in HK$** | | |
| Cash and bank balances | 634,709 | 435,229 |
| **Overall net exposure** | 634,709 | 435,229 |

| | | |
|---|---|---|
| **Denominated in A$** | | |
| Cash and bank balances | 62,720 | 39,732 |
| Derivative financial instruments | (821,730) | (1,723,463) |
| **Overall net exposure** | (1,683,731) | (1,683,731) |

| | Increase/ (decrease) in foreign exchange rates | Effect on profit/loss for the year ended 31 December 2020 and retained profits | Increase/ (decrease) in foreign exchange rates | Effect on profit for the year ended 31 December 2019 and retained profits |
|---|---|---|---|---|
| | **%** | **RMB** | **RMB** | **RMB** |
| HK$ | % | 31,735 | +5% | 21,761 |
| | % | (31,735) | -5% | (21,761) |
| A$ | % | (37,951) | +5% | (84,187) |
| | % | 37,951 | -5% | 84,187 |

## (e) Fair value measurements recognised in the consolidated statement of financial position

The fair values of trade and other receivables, loan to a director, cash and bank balances, trade and other payables, amount due to a related party and a director and interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

*Fair value hierarchy*

TThe following tables present financial liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: nputs other than quoted prices included within Level 1 that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial liabilities measured at fair value in the consolidated statement of financial position at the reporting date are grouped into the fair value hierarchy as follows:

| | Level 1 RMB | Level 2 RMB | Level 3 RMB | Total RMB |
|---|---|---|---|---|
| **As at 31 December 2020** | | | | |
| Financial liabilities at FVTPL | | | | |
| Derivative financial instruments - unlisted call options | - | - | 821,730 | 821,730 |
| **As at 31 December 2019** | | | | |
| Financial liabilities at FVTPL | | | | |
| Derivative financial instruments - unlisted call options | - | - | 1,723,463 | 1,723,463 |

The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There were no significant transfers between levels 1 and 2 and no transfers into or out of level 3 during the years.

The fair value of the derivative financial instruments was calculated using the Binomial model with the major inputs used in the model as follows:

| | 2020 | 2019 |
|---|---|---|
| Stock price | A$0.087 | A$0.074 |
| Volatility | 40-43% | 41-43% |
| Risk free rate | 0.21%-0.23% | 0.93% |

Any changes in the major inputs into model will result in changes in the fair value of the derivative component. Increase in the average expected volatility, stock price and risk free rate would increase the fair value of the unlisted call options.

Assuming all other variables is held constant; an increase in stock price by 10% (2019: 10%) would increase the unlisted call options by a further RMB58,204 (2019: RMB541,774), an increase in volatility by 10% (2019: 10%) would increase the unlisted call options by RMB116,843 (2019: RMB708,849), and an addition in risk free rate by 0.2% (2019: 0.2%) would increase the unlisted call options by RMB626 (2019: RMB9,614).

## 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2020 and 2019 may be categorised as follows:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| **Financial assets** | | |
| Assets measured at amortised cost: | | |
| Trade and other receivables | 405,758,965 | 374,251,430 |
| Loan to a director | - | 40,000,000 |
| Amount due from a related party | 1,066 | - |
| Cash and bank balances | 117,506,895 | 108,125,080 |
| | 523,266,926 | 522,376,510 |
| **Financial liabilities** | | |
| Liabilities measured at amortised cost: | | |
| Trade and other payables | 46,587,563 | 64,199,178 |
| Amount due to a related party | - | 17,256 |
| Amount due to a director | 3,590,000 | 45,680,000 |
| Lease liabilities | 13,888,632 | 5,065,778 |
| Bank and other loans | 94,620,000 | 82,700,000 |
| | 158,686,195 | 197,662,212 |
| Liabilities measured at FVTPL: | | |
| Derivative financial instruments | 821,730 | 1,723,463 |
| | 159,507,925 | 199,385,675 |

## 38. Event after the reporting date AND EFFECT OF COVID-19

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. Up to the date when the consolidated financial statements were approved and authorised for issue by the board of directors, no significant adverse impact on the operation was noted. The Group will keep continuous attention on the latest developments of COVID-19, in order to assess and react actively to any potential adverse impact to its financial position and performance.

# Additional Information

## Issued capital

As at 24 March 2021, the Company had 1,159,682,760 CHESS Depositary Interests (CDI's) and were traded on the ASX.

There is no on-market buy back currently in place.

## Substantial shareholders

The following organisations have disclosed a substantial shareholding notice to ASX. As at 24 March 2021, the Company has received no further update in relation to these substantial shareholdings.

| Description | No of shares/CDIs | % of issued capital/date notified to |
|---|---|---|
| GRAND EASE HOLDINGS LIMITED | 255,300,969 | 23.86% (15/08/14) |
| CAIHUI INVESTMENTS LIMITED | 146,919,472 | 14.34% (09/10/13) |
| ACE RAY LIMITED | 86,158,618 | 7.43% (04/02/16) |
| VTION CAPITAL INVESTMENTLIMITED | 71,733,391 | 7.00% (09/10/13) |
| NATION PRIDE INVESTMENTS LIMITED | 71,732,559 | 6.19% (29/05/19) |
| DECHENG INVESTMENTS LIMITED | 59,343,154 | 5.79% (10/10/13) |

## Top 20 CDI holders as at 24 March 2021

| Rank | Name | No of CDIs | % of Issued Capital |
|---|---|---|---|
| 1. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 256,252,948 | 22.10 |
| 2. | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAIL CLIENT DRP> | 182,728,588 | 15.76 |
| 3. | CAIHUI INVESTMENTS LIMITED | 146,919,472 | 12.67 |
| 4. | ACE RAY LIMITED | 86,158,618 | 7.43 |
| 5. | DECHENG INVESTMENTS LIMITED | 59,343,154 | 5.12 |
| 6. | INVESTORLINK DIRECT PORTFOLIO PTY LIMITED | 52,399,153 | 4.52 |
| 7. | WUXIAN NOMINEES PTY LTD | 50,000,000 | 4.31 |
| 8. | STRADBROKE PLAZA PTY LTD <RYAN RETIRMENT FUND A/C> | 33,083,220 | 2.85 |
| 9. | RADIANT COSMO INVESTMENTS LTD | 29,126,087 | 2.51 |
| 10. | WASHINGTON H SOUL PATTINSON & COMPANY LIMITED | 13,409,091 | 1.16 |
| 11. | JOWJIN PTY LTD <KEERATI A/C> | 11,988,220 | 1.03 |
| 12. | EVER WISE VENTURES LIMITED | 11,358,937 | 0.98 |
| 13. | INVESTORLINK SUPER PTY LIMITED | 11,232,683 | 0.97 |
| 14. | CGAM PTY LTD | 9,457,372 | 0.82 |
| 15. | HISHENK PTY LTD | 8,700,000 | 0.75 |
| 16. | MS KEERATI PLODPRONG | 5,134,000 | 0.44 |
| 17. | NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 4,864,856 | 0.42 |
| 18. | MR TONY RAYMOND GROTH + MRS JENNIFER ANN GROTH <GROTH SUPERFUND A/C> | 4,305,000 | 0.37 |
| 19. | KLINJ PTY LTD <KLI STAFF A/C> | 3,929,740 | 0.34 |
| 20. | INVESTORLEND PTY LTD | 3,630,704 | 0.31 |
| **Total Top 20 Holders** | | **984,021,843** | **84.85** |
| **Total Remaining Holders Balance** | | **175,660,917** | **15.15** |

## Distribution of Shareholders/CDI holders

There were 1,783 shareholders/CDI holders at 24 March 2021 recorded at Automic. . Each Shareholder/CDI holder is entitled to one vote for each security held.

| Range | Total holders | Shares/CDIs | % of issued capital |
|---|---|---|---|
| 1 - 1,000 | 84 | 20,687 | 0.00 |
| 1,001 – 5,000 | 384 | 1,417,302 | 0.12 |
| 5,001-10,000 | 368 | 2,979,496 | 0.26 |
| 10,001 – 100,000 | 657 | 24,410,502 | 2.10 |
| Over 100,000 | 290 | 1,130,854,773 | 97.51 |
| Totals | 1,783 | 1,159,682,760 | 100.00 |

There are 505 CDI holders who hold less than a marketable parcel as at 24 March 2021.

## Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members, provided that a CDI Holder undertakes the following steps.

1. Instructing CDN as the legal owner to vote the shares underlying in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting and this must be completed and returned to the share registry prior to the meeting.
2. Informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their shares underlying the CDIS for the purposes of attending and voting at the general meeting or;
3. Converting their CDIs into a holding of these shares and voting these shares at the meeting.

## 99 Technology's Place of Incorporation

As 99 Technology is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Financial Services and the Treasury Bureau. 99 Technology is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 in Australia. The following information is provided as required to ASX on an annual basis to disclose the limitations on acquisition.

## Takeovers

The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

- acquire 30% or more of the voting rights of a company; or
- hold not less than 30% but more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period, then a general offer must be made to all other shareholders of the company.

## Compulsory Acquisition

Schedule 13 of the Hong Kong Companies Ordinance sets out the right to buy out minority shareholders. If within four months of making an offer to buy shares, a company has acquired 90% in value of the shares, the acquiring company may give notice to the remaining shareholders that it desires to acquire their shares. Provided that notice is given within five months of the original offer, the acquiring company is entitled and bound to acquire those shares on the same terms as the offer.

## Substantial holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively "Corporate Insiders") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation.

# Corporate Directory

| Registered Office - Hong Kong | | Registered Office - Australia |
|---|---|---|
| Address | 27/F, Alexandra House<br>18 Chater Road,<br>Central, Hong Kong | C/-Superio Pty Limited<br>Level 26<br>56 Pitt Street<br>Sydney, New South Wales 2000 |
| Phone | +852 2803 3688 | +61 9276 2000 |
| Fax | +852 2803 3608 | +61 9247 9977 |

## Board of Directors

| Name | Position |
|---|---|
| Mr. Ross Benson | Chairman, Non-Executive Director |
| Ms. Amalisia Zhang | Executive Director |
| Dr. Tao Wen | Executive Director |
| Mr. Haoming Yu | Non-Executive Director |
| Mr. Simon Woodfull | Non-Executive Director |
| Mr. Christopher Ryan | Non-Executive Director |

## Company Secretary

Howse Wiliams Bowers

## ASX Code

NNT

## Australian Legal Advisor

Thomson Geer Lawyers
Level 28, Waterfront Place
1 Eagle Street, Brisbane QLD 4000
P: +61 7 3338 7557

## Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

## Auditor

BDO Limited Level 25
Wing On Centre
111 Connaught Road
Central, Hong Kong

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# 2020

ARBN: 164 764 729
Hong Kong Company Registration Number: 1903220