



## APPENDIX 4D AND HALF YEAR FINANCIAL STATEMENTS

### 99 LOYALTY LIMITED

ARBN 164 764 729

30 June 2021

Lodged with ASX under Listing Rule 4.2A

This half year report covers the consolidated entity, consisting of 99 Loyalty Limited and its controlled entities. The financial statements are presented in Renminbi (RMB), the official currency of the People's Republic of China, unless otherwise stated.

The report is based on financial statements which have been reviewed by the auditor of the Company.

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## Details of the reporting period and the previous corresponding period

Reporting period: 1 January 2021 to 30 June 2021  
Previous corresponding period: 1 January 2020 to 30 June 2020

## Results for announcement to the market

### Key information

	Period ended 30 June 2021 RMB	Period ended 30 June 2020 RMB
Revenue from ordinary operations	98,993,309	97,452,547
(Loss)/profit from ordinary operations after income tax	(16,727,062)	3,761,549
Total comprehensive income attributable to members of the Company	(16,727,062)	3,761,549

### Revenue from Ordinary Operations

Revenue generated in the first half of FY2021 increased by 2% from the previous corresponding period, was a result of:

#### a) Fast growing insurance brokerage business:

- Insurance brokerage services is a fast growing virtual good category with lower working capital requirements than many other virtual goods;
- Total insurance brokerage revenue increased from RMB 37.3 million in FY2019 to RMB 89.4 million in FY2020, an increase of 139%. In the first half of FY2021, insurance brokerage services revenue has already reached RMB 70.1 million, or 78% of the total insurance brokerage revenue in FY2020;
- The rapid growth in insurance brokerage services is due to the Company's established relationships with many of China's largest insurers and a strong commitment to delivering best in class execution and technology integration.

#### b) More stringent regulatory environment:

- Since the beginning of calendar 2021, the Chinese Government promulgated economic and financial policies to prevent systemic financial risks, applying more restrictions and regulations on financial institutions, resulting a more stringent economic environment;
- As a result the Company's enterprise clients' (i.e. large banks and insurers) tended to be more cautious in their marketing activities;
- Benefited from the stringent regulatory environment due to its established relationships and execution capabilities, serving to temporarily dampen revenue in 1H 2021, an already seasonally weaker half for operating performance.

### Profit from Ordinary Operations after Income Tax

The Company reported a net loss of RMB16.73 million in the first half of FY2021, which was mainly due to Company's increasing investment in marketing and channel development to capture market share and enhance brand visibility in the fast growing insurance brokerage services business. Moreover, the Company's enterprise clients temporarily reduced their marketing activities in the first half as they adapt to the new regulatory environment.

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## **Dividends**

No dividends have been paid nor are any dividends proposed to be paid.

## **Condensed Consolidated Statement of Comprehensive Income**

Please refer to Page 2

## **Condensed Consolidated Statement of Financial Position**

Please refer to Page 3

## **Condensed Consolidated Statement of Changes in Equity**

Please refer to Page 5

## **Condensed Consolidated Statement of Cash Flows**

Please refer to Page 6

## **Additional dividend information**

The Company has not declared any dividends.

## **Dividend reinvestment plan**

The Company has no dividend reinvestment plan.

## **Net tangible asset backing**

	<b>30 June 2021 RMB</b>	<b>30 June 2020 RMB</b>
Net tangible asset backing per ordinary security	22.6 cents	20.7 cents

At 30 June 2021, there were 1,159,682,763 shares on issue, which would convert to a net asset backing of RMB 29.0 cents per share compared to a net asset backing of RMB 28.0 cents per share as at 30 June 2020.

## **Controlled entities acquired or disposed of**

The Company didn't acquire or dispose any entity in the first half of FY2021. 2 subsidiaries have been deregistrated during period.

## **Associates and joint venture entities**

The Company has no associates or joint venture entities.

## **Other significant information**

Other than the details disclosed herein, there is no other information that needs to be disclosed to investors.

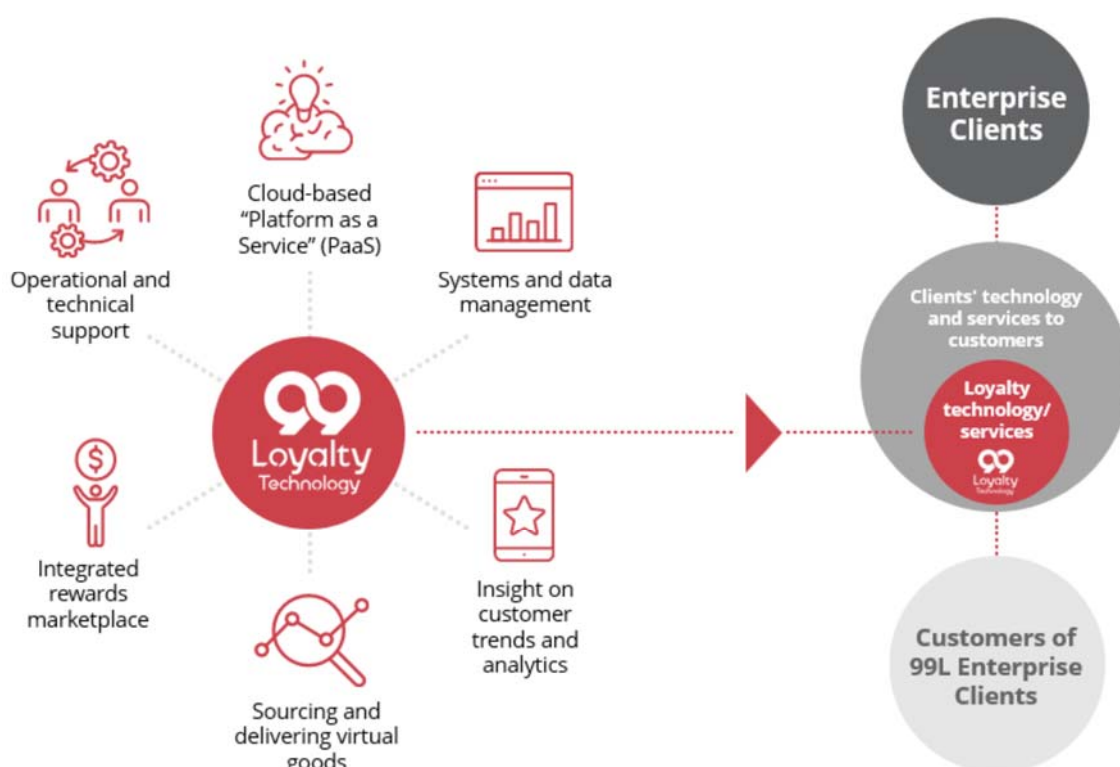
## **Foreign entities**

The reports have been prepared under Hong Kong Accounting Standard 34.

## About 99 Loyalty

99 Loyalty Technology delivers a platform and insights that enables China's leading banks and insurance companies to enhance customer loyalty and win new business.

99 Loyalty Technology is a business to business (B2B) enterprise technology solution with greater than 200 enterprise clients. It delivers the "technology behind the scenes", integrating seamlessly into the client's own ecosystem. This allows users to interact in the client's ecosystem as per normal, with an enhanced experience. The enterprise client benefits from access to a full suite of technology services - which includes from security to full analysis, virtual goods and payments.



## Audit Qualification or Review

These accounts were subject to a review by the auditor and the review report is attached. The auditor has not raised any issues as a result of the review.



**99 LOYALTY LIMITED**  
**(FORMERLY KNOWN AS 99 TECHNOLOGY LIMITED)**  
(incorporated in Hong Kong with limited liability)

**Interim**  
**Condensed Consolidated**  
**Financial Statements**  
**For the six months ended 30 June 2021**

**99 LOYALTY LIMITED**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF 99 LOYALTY LIMITED  
(FORMERLY KNOWN AS 99 TECHNOLOGY LIMITED)**

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(incorporated in Hong Kong with limited liability)

## Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 2 to 24, which comprises the condensed consolidated statement of financial position of 99 Loyalty Limited (the “Company”) and its subsidiaries as of 30 June 2021 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The preparation of a report on interim financial information is required to be in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.



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

Hong Kong, 31 August 2021

99 LOYALTY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	2021 RMB (unaudited)	2020 RMB (unaudited)
Revenue	6	98,993,309	97,452,547
Cost of sales		(637,063)	(379,605)
Gross profit		98,356,246	97,072,942
Other income	7	3,426,853	2,269,245
Other gains and losses, net	8	892,056	1,652,683
Selling and distribution expenses		(88,351,102)	(60,160,304)
Administration expenses		(27,722,936)	(29,040,645)
Provision for impairment losses on trade and other receivables		(354,908)	(102,037)
<b>Operating (loss)/profit</b>		<b>(13,753,791)</b>	<b>11,691,884</b>
Finance costs	9	(7,266,424)	(6,736,390)
<b>(Loss)/profit before income tax</b>	10	<b>(21,020,215)</b>	<b>4,955,494</b>
Income tax credit/(expense)	12	4,293,153	(1,193,945)
<b>(Loss)/profit for the period and total comprehensive income for the period attributable to the owners of the Company</b>		<b>(16,727,062)</b>	<b>3,761,549</b>
		<b>RMB (unaudited)</b>	<b>RMB (unaudited)</b>
<b>(Loss)/earnings per share</b>	13		
Basic		(0.0144)	0.0032
Diluted		(0.0148)	0.0020



99 LOYALTY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021

	Notes	30 June 2021 RMB (unaudited)	31 December 2020 RMB (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	13,659,505	16,367,407
Intangible assets		64,259,268	66,055,631
Goodwill		3,440,400	3,440,400
Deferred tax assets		5,751,040	1,177,508
Total non-current assets		87,110,213	87,040,946
<b>CURRENT ASSETS</b>			
Inventories		677,184	153,606
Trade and other receivables	16	466,261,599	495,140,236
Amount due from a related party		-	1,066
Tax recoverable		4,028,054	3,417,927
Cash and bank balances	17	50,691,313	117,506,895
Total current assets		521,658,150	616,219,730
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		5,593,943	8,164,447
Deferred tax liabilities		6,721,403	6,874,743
Total non-current liabilities		12,315,346	15,039,190
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	80,253,925	75,486,249
Contract liabilities		67,941,698	152,446,550
Amount due to a related party		91,557	-
Amount due to a director	19	190,000	3,590,000
Derivative financial liabilities	20	-	821,730
Bank and other loans	21	105,620,000	94,620,000
Lease liabilities		5,915,526	5,724,185
Current tax liabilities		449,555	2,814,954
Total current liabilities		260,462,261	335,503,668
<b>NET CURRENT ASSETS</b>		261,195,889	280,716,062
<b>NET ASSETS</b>		335,990,756	352,717,818

99 LOYALTY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021

	Notes	30 June 2021 RMB (unaudited)	31 December 2020 RMB (audited)
<b>EQUITY</b>			
Share capital	22	313,675,893	313,675,893
Reserves		22,314,863	39,041,925
<b>TOTAL EQUITY</b>		<u>335,990,756</u>	<u>352,717,818</u>

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2021 and are signed on its behalf by:



Mr. Ross Benson  
Director



Ms. Amalisia Zhang  
Director

99 LOYALTY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital RMB	Statutory reserve RMB	Other reserve RMB	Retained earnings RMB	Total RMB
<b>Balance at 1 January 2020 (audited)</b>	313,675,893	1,840,198	(2,500,000)	8,142,187	321,158,278
Profit for the period and total comprehensive income for the period	-	-	-	3,761,549	3,761,549
<b>Balance at 30 June 2020 (unaudited)</b>	<u>313,675,893</u>	<u>1,840,198</u>	<u>(2,500,000)</u>	<u>11,903,736</u>	<u>324,919,827</u>
<b>Balance at 1 January 2021 (audited)</b>	313,675,893	5,583,721	(2,500,000)	35,958,204	352,717,818
Loss for the period and total comprehensive income for the period	-	-	-	(16,727,062)	(16,727,062)
<b>Balance at 30 June 2021 (unaudited)</b>	<u>313,675,893</u>	<u>5,583,721</u>	<u>(2,500,000)</u>	<u>19,231,142</u>	<u>335,990,756</u>

99 LOYALTY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	2021 RMB (unaudited)	2020 RMB (unaudited)
Net cash (used in)/generated from operating activities	(63,741,644)	31,075,144
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(547,535)	(12,990)
Additions of intangible assets	-	(93,950)
Repayment from a director	-	40,000,000
Decrease in pledged deposits	-	10,000,000
Net cash (used in)/generated from investing activities	(547,535)	49,893,060
<b>Cash flows from financing activities</b>		
Repayment of advance from a director	(3,400,000)	(39,110,000)
Proceeds from borrowings	53,000,000	72,565,700
Repayments of borrowings	(42,000,000)	(38,500,000)
Interests paid	(7,266,424)	(6,736,390)
Repayment of principal portion of the lease liabilities	(2,899,566)	(3,132,664)
Net cash used in financing activities	(2,565,990)	(14,913,354)
Net (decrease)/increase in cash and cash equivalents	(66,855,169)	66,054,850
Cash and cash equivalents at the beginning of period	112,506,895	93,125,080
Effect of exchange rate changes on cash and cash equivalents	39,587	21,830
Cash and cash equivalents at the end of period	45,691,313	159,201,760

## 99 LOYALTY LIMITED

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 1. GENERAL

99 Loyalty Limited (formerly known as “99 Technology Limited”) (the “Company”) is a limited liability company incorporated in Hong Kong. The Company passed a special resolution on 24 May 2021 to change its name from 99 Technology Limited to 99 Loyalty Limited and the approval of the Registrar in Hong Kong on the change of name was obtained on 30 May 2021. Its CHES Depositary Interests (“CDIs”) are listed on the Australian Securities Exchange (stock code: 99L (formerly known as NNT)). The principal 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 the Company’s subsidiaries (together with the Company referred as the “Group”) are investment holding and provision of financial and operational services on mobile and online marketplaces in the People’s Republic of China (the “PRC”).

Since the beginning of the six months ended 30 June 2021, the PRC government has issued certain economic and financial policies to prevent systemic financial risks, which applied more restrictions and regulations on financial institutions, which resulted a more stringent economic environment. The Group’s enterprise clients’ (i.e. large banks and insurance companies) tended to be more cautious in their marketing activities during the six months ended 30 June 2021 which temporarily dampen revenue of certain type of services provided by the Group.

#### 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These interim condensed consolidated financial statements for the six months ended 30 June 2021 were approved and authorised by the board of directors on 31 August 2021.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 31 December 2020 (“2020 annual financial statements”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on 1 January 2021. Details of any changes in accounting policies are set out in note 3.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**2. BASIS OF PREPARATION - Continued**

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 4.

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2020 annual financial statements.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. BDO Limited’s independent review report to the board of directors is included on page 1.

The financial information relating to the year ended 31 December 2020 that is included in these interim condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the 2020 annual financial statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 99 LOYALTY LIMITED

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of new or amended HKFRSs that are effective from 1 January 2021 did not have any material impact on the Group's accounting policies.

#### 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

#### 5. 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.

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

# 99 LOYALTY LIMITED

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 6. REVENUE

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

#### Significant category

	2021 RMB (unaudited)	2020 RMB (unaudited)
Revenue from contracts with customer		
- Commission and service income	98,382,827	97,198,698
- Sales of merchandise	610,482	253,849
	<u>98,993,309</u>	<u>97,452,547</u>

#### Timing of revenue recognition

	2021 RMB (unaudited)	2020 RMB (unaudited)
Revenue recognised at point in time	<u>98,993,309</u>	<u>97,452,547</u>

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

	30 June 2021 RMB (unaudited)	31 December 2020 RMB (audited)
Trade receivables	<u>181,276,228</u>	<u>192,668,698</u>
Contract liabilities	<u>67,941,698</u>	<u>152,446,550</u>

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.



99 LOYALTY LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. OTHER INCOME

	2021 RMB (unaudited)	2020 RMB (unaudited)
Interest income		
- Bank deposits	185,421	343,942
- Loan to a director	-	310,000
Government grants*	2,546,011	1,296,784
Others	695,421	318,519
	<u>3,426,853</u>	<u>2,269,245</u>

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

8. OTHER GAINS AND LOSSES, NET

	2021 RMB (unaudited)	2020 RMB (unaudited)
Exchange gains, net	39,588	21,830
Change in fair value of derivative financial liabilities (note 20)	852,468	1,630,853
	<u>892,056</u>	<u>1,652,683</u>

9. FINANCE COSTS

	2021 RMB (unaudited)	2020 RMB (unaudited)
Interest on bank loans	203,333	156,888
Interest on other loans	6,512,150	6,319,307
Interest on lease liabilities	550,941	260,195
	<u>7,266,424</u>	<u>6,736,390</u>

99 LOYALTY LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2021 RMB (unaudited)	2020 RMB (unaudited)
Auditor's remuneration	250,026	272,232
Cost of inventories recognised as an expense	460,004	189,732
Employee costs (including directors' emoluments) comprise:		
- Contribution on defined contribution retirement plan	5,125,987	2,765,792
- Salaries and staff benefits	20,923,805	22,203,288
	<u>26,049,792</u>	<u>24,969,080</u>
Loss on deregistration of subsidiaries	588,173	-
Short-term leases expenses	76,886	13,760
Amortisation of intangible assets	1,731,637	2,272,980
Depreciation of property, plant and equipment		
- Owned property, plant and equipment	683,340	1,150,263
- Right-of-use assets	3,069,648	3,290,356
	<u>3,752,988</u>	<u>4,440,619</u>

11. DIRECTORS' EMOLUMENTS

	2021 RMB (unaudited)	2020 RMB (unaudited)
Directors' fees	532,600	480,000
Salaries, bonuses, allowances and benefits	1,080,000	1,080,000
Contribution on defined contribution retirement plan	103,242	32,554
	<u>1,715,842</u>	<u>1,592,554</u>

99 LOYALTY LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. INCOME TAX CREDIT/(EXPENSE)

	2021 RMB (unaudited)	2020 RMB (unaudited)
Current tax - PRC		
-Tax for the period	433,719	1,050,975
Deferred tax	(4,726,872)	142,970
Income tax (credit)/expense	<u>(4,293,153)</u>	<u>1,193,945</u>

Notes:

- (a) Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first Hong Kong Dollar 2,000,000 of qualified entity's assessable profit is calculated at 8.25% (2020: 8.25%). No provision for Hong Kong profits tax has been made as the Company had no assessable profits for the period.
- (b) 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 period is 25% (2020: 25%).
- (c) Shanghai Handpal Information Technology Co., Ltd., a subsidiary of the Group, 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.

99 LOYALTY LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

(Loss)/earnings

	2021 RMB (unaudited)	2020 RMB (unaudited)
(Loss)/earnings for the purposes of basic earnings per share	(16,727,062)	3,761,549
Effect of dilutive potential ordinary shares - call options	(821,730)	(1,364,092)
(Loss)/earnings for the purpose of diluted earnings per share	<u>(17,548,792)</u>	<u>2,397,457</u>

Number of shares

	2021 (unaudited)	2020 (unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,159,682,763	1,159,682,763
Effect of dilutive potential ordinary shares - call options	<u>24,620,917</u>	<u>36,929,825</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,184,303,680</u>	<u>1,196,612,588</u>

14. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2021, nor has any dividend been proposed since the end of reporting period (2020: nil).

99 LOYALTY LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of RMB547,535 during the six months ended 30 June 2021 (2020: RMB12,990) on property, plant and equipment to acquire more office equipment.

16. TRADE AND OTHER RECEIVABLES

		30 June 2021 RMB (unaudited)	31 December 2020 RMB (audited)
	Notes		
Trade receivables	(a)	181,276,228	192,668,698
Prepayment to suppliers		74,161,191	87,250,664
Other prepayments		2,425,054	2,130,607
Deposits		2,206,052	2,119,844
Other receivables		9,679,803	14,461,194
Other receivable from Shanghai Handpay Information & Technology Co., Ltd ("Handpay")	(b)	196,513,271	196,509,229
		<u>466,261,599</u>	<u>495,140,236</u>

Notes:

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

During the period, 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 15% to 20% (31 December 2020: 17% 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 of the discounting transactions as other loan (note 21(b)). As at 30 June 2021, trade receivables of RMB54,604,846 (31 December 2020: RMB40,751,316) have been legally transferred to the financial institutions. The carrying amounts of the transferred assets and their associated liabilities approximates their fair values as at 30 June 2021 and 31 December 2020.

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.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 16. TRADE AND OTHER RECEIVABLES - Continued

Notes: - Continued

- (b) Other receivable due from Handpay is mainly derived from the operation of mobile marketplace of the Group. According to a licensing arrangement entered between the Group and Handpay in 2013 and the relevant supplementary agreements entered in 2015, during the transition period, Handpay would continue to perform all third party contracts entered into with respect to the mobile marketplace until renewal of existing contracts. Handpay continues to collect revenue and pay expenses on behalf of the Group. The amount is unsecured, interest-free and repayable on demand.

#### Impairment on trade and other receivables

At 30 June 2021, allowance for impairment of RMB925,935 has been recognised in accordance with the Group's assessment (31 December 2020: RMB571,027).

The Group's management expects to collect the receivable due from Handpay in full and hence no impairment allowance has been made as at 30 June 2021 (31 December 2020: nil).

#### 17. CASH AND BANK BALANCES

	Note	30 June 2020 RMB (unaudited)	31 December 2020 RMB (audited)
Cash and bank balances		50,691,313	117,506,895
Less:			
Deposit restricted for insurance brokerage work	(a)	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Cash and cash equivalents for the purpose of the condensed consolidated statement of cash flows		<u>45,691,313</u>	<u>112,506,895</u>

Note:

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

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 18. TRADE AND OTHER PAYABLES

	30 June 2021 RMB (unaudited)	31 December 2020 RMB (audited)
Trade payables	44,917,176	31,678,084
Accruals and other payables (note)	35,336,749	43,808,165
	<u>80,253,925</u>	<u>75,486,249</u>

Note:

The Group is in progress to finalise certain tax treatment in relation to filing of Value-added Tax ("VAT") amounted to RMB28,907,902 as at 30 June 2021 (31 December 2020: RMB28,898,686) with relevant tax authority in the PRC. In the opinion of the management, there is possibility that VAT of RMB18,646,053 may be reversed as at 31 December 2021.

#### 19. AMOUNT DUE TO A DIRECTOR

The amount due to a director represented amount due to Ms. Zhang Li, Amalisa ("Ms. Zhang"), which was unsecured, interest-free and repayable on demand.

#### 20. DERIVATIVE FINANCIAL LIABILITIES

##### Equity-linked Loans I

In November 2017, the Group obtained three equity-linked loans with principal amounts of Australia 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 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.

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20. DERIVATIVE FINANCIAL LIABILITIES - Continued

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").



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20. DERIVATIVE FINANCIAL LIABILITIES - Continued

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. The unamortised deferred initial difference as at 31 December 2020 amounted to RMB30,738 and was fully amortised during the six months ended 30 June 2021.

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. 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.

In 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 represent the fair values of Subsequent Options. During the six months ended 30 June 2021, all Subsequent Options were not exercised and were lapsed.

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20. DERIVATIVE FINANCIAL LIABILITIES - Continued

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

	Derivative financial liabilities RMB
Carrying amount as at 1 January 2020 (audited)	1,723,463
Change in fair value of derivative financial liabilities	(1,405,983)
Amortisation of deferred initial differences on derivatives financial liabilities	504,250
Carrying amount as at 31 December 2020 (audited)	821,730
Change in fair value of derivative financial liabilities (note 8)	(852,468)
Amortisation of deferred initial differences on derivatives financial liabilities	30,738
Carrying amount as at 30 June 2021 (unaudited)	-
Carrying amount as at 31 December 2020 (audited)	
Current portion	821,730
Carrying amount as at 30 June 2021 (unaudited)	
Current portion	-

The change in the fair value of the derivative financial liabilities during the six months ended 30 June 2021 results in a fair value gain of RMB852,468 (30 June 2020: RMB1,630,853) (note 8). For more detailed information in relation to the fair value measurement of derivative financial liabilities, please refer to note 24.

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21. BANK AND OTHER LOANS

		30 June 2021 RMB (unaudited)	31 December 2020 RMB (audited)
<b>Current</b>			
Bank loans	(a)	-	20,000,000
Other loans - secured	(b)	58,000,000	40,000,000
Other loans - unsecured	(c)	47,620,000	34,620,000
Total borrowings		105,620,000	94,620,000

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

	30 June 2021 RMB (unaudited)	31 December 2020 RMB (audited)
Within one year or on demand	105,620,000	94,620,000

The Group's bank and other loans are denominated in RMB.

Notes:

- (a) As at 31 December 2020, bank loan of RMB20,000,000 was guaranteed by Ms. Zhang, and was fully settled during the six months ended 30 June 2021.
- (b) As at 30 June 2021, the effective interest rates of the Group's secured other loans were ranging from 15% to 18% (31 December 2020: 8% to 22.5%) per annum.

As at 30 June 2021, other loans of RMB58,000,000 (31 December 2020: RMB40,000,000) represents the amounts of financing obtained from financial institutions in factoring transactions on the Group's trade receivables with full recourse (note 16(a)), of which RMB5,000,000 (31 December 2020: nil) was guaranteed by Ms. Zhang.

- (c) As at 30 June 2021, the effective interest rates of the Group's unsecured other loans were ranging from 12.5% to 15% (31 December 2020: 10% to 15%) per annum.

As at 30 June 2021, the Group's unsecured other loan of RMB20,000,000 (31 December 2020: nil) was due to Nanping Yingjie Enterprise Management Partnership ("Nanping Yingjie"), a related Company of which Ms. Zhang was the controlling equity holder.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 22. SHARE CAPITAL

	Number of ordinary shares	RMB
<b>Issued:</b>		
<b>Fully paid-up</b>		
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>1,159,682,763</u>	<u>313,675,893</u>

#### 23. CAPITAL COMMITMENT

There is no significant capital commitment for the Group as at 30 June 2021 (31 December 2020: nil).

#### 24. FAIR VALUE MEASUREMENTS

The fair values of trade and other receivables, cash and bank balances, trade and other payables, amounts due from/(to) a related party and a director, and bank and other loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

##### Fair value hierarchy

The following tables present financial liabilities measured at fair value in the condensed 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: inputs 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.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 24. FAIR VALUE MEASUREMENTS - Continued

The financial liabilities measured at fair value in the consolidated statement of financial position as at 31 December 2020 are grouped into the fair value hierarchy as follows:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>As at 31 December 2020</b>				
<b>(audited)</b>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities -				
Unlisted call options	-	-	821,730	821,730

There were no significant transfers between levels 1 and 2 and no transfers into or out of level 3 during the prior reporting period.

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

	31 December 2020 (audited)
Stock price	A\$0.087
Volatility	40-43%
Risk free rate	0.21-0.23%

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.

As at 31 December 2020, assuming all other variables are held constant; an increase in stock price by 10% would increase the unlisted call options by a further RMB58,204, an increase in volatility by 10% would increase the unlisted call options by RMB116,843, and an addition in risk free rate by 0.2% would increase the unlisted call options by RMB626.

The Group did not have any financial assets or financial liabilities measured at fair value as at 30 June 2021.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 25. RELATED PARTY TRANSACTIONS

##### Transaction with key management personnel

All members of key management personnel are the directors of the Company. The remuneration paid to them during the period was disclosed in note 11 to the interim condensed consolidated financial statements.

##### Transactions with other parties

In addition to the transactions and balances disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following material related party transactions:

	Notes	Type of transactions	2021 RMB (unaudited)	2020 RMB (unaudited)
Superio Pty Limited	(a)	Professional services fees	440,235	218,007
Ms. Zhang		Interest income	-	310,000
Nanping Yingjie	21(c)	Interest expense	1,180,367	-

Note:

- (a) Mr. Ross Benson and Mr. Christopher Ryan, directors and key management personnel of the Company, are beneficial owners of Superio Pty Limited.