



ASX PRELIMINARY FINAL REPORT

99 LOYALTY LIMITED

ARBN 164 764 729

31 December 2021

Lodged with ASX under Listing Rule 4.3A

This preliminary final 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 accounts which are in the process of being audited.

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Details of the reporting period and the previous corresponding period

Reporting period: 1 January 2021 to 31 December 2021
Previous corresponding period: 1 January 2020 to 31 December 2020

Results for announcement to the market

Key information

	Year ended 31 December 2021 RMB	Year ended 31 December 2020 RMB
Revenue from ordinary operations	208,131,952	231,734,330
(Loss)/profit from ordinary operations after income tax expense	(74,231,582)	31,559,540
Total comprehensive income attributable to members of the Company	(74,231,582)	31,559,540

Dividends

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Please refer to Page 5

Consolidated Statement of Financial Position

Please refer to Page 6

Consolidated Statement of Changes in Equity

Please refer to Page 7

Consolidated Statement of Cash Flows

Please refer to Page 8

Additional dividend information

The Company has not declared any dividends.

Dividend reinvestment plan

The Company has no dividend reinvestment plan.

Net tangible asset backing

	31 December 2021 RMB	31 December 2020 RMB
Net tangible asset backing per ordinary security	20 cents	24 cents

At 31 December 2021, there were 1,159,682,763 shares on issue, which would convert to an asset backing of RMB 20 cents per share compared to an asset backing of RMB 24 cents per share as at 31 December 2020.

Controlled entities acquired or disposed of

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

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 information that needs to be disclosed to investors.

Foreign entities

The reports have been prepared under Hong Kong Financial Reporting Standards.

Commentary on the operations and results

The Company has a net loss of RMB 6.4 cent per share. The Company did not propose any dividend distribution or buy back during the period.

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. It provides 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 ranges from security to full analysis, virtual goods and payments.

In FY2021, the Company's insurance brokerage services experienced a strong growth thanks to the low insurance penetration rate in China and the increased consumer awareness of the need for risk protection and insurance products. However, the total revenues and gross profits were decreased by 10% compared to the figures in FY2020. Due to the impact of lockdown responses associated with the Covid-19 and a series of new regulatory policies introduced, such as financial risk control measures, China's economy was showing sluggish growth in 2021. The weak market conditions have resulted in the Company's enterprise clients (i.e. banks, insurers) remaining cautious on marketing activities, therefore, the decrease on the Company's revenues. As a result, 99 Loyalty reported revenue of RMB 208.13 million (AUD 42.95 million) and gross profit of 207.05 million (AUD 42.72 million).

The Company reported EBITDA of RMB -48.17 million (AUD -9.94 million) and net loss of RMB 74.23 million (AUD 15.32 million) in FY2021. The loss can be attributed to the following aspects:

- The Company's business was negatively affected by poor market conditions and national regulatory control over enterprise clients – financial institutions. This affected the Company's business and reduced revenues.
- The Company extended and diversified enterprise clients and expanded its sales channels for the rapidly growing insurance brokerage services, resulting in a significant increase in sales and distribution expenses.
- An accounting treatment to record a loss arising from derecognition of financial assets at amortised cost of RMB 36.38 million on other receivables due to the restructuring of payment terms, and an accounting treatment to record an impairment loss of RMB 16.23 million on intangible assets and goodwill due to the reductions in the Company's revenues and the fluctuation of China's economy.

Looking forward, the Company will actively participate in the development of China's digital economy and pursue opportunities across the value chain. The Company will continuously provide best-fit loyalty solutions and services integrated with "Technology + Operation + Marketing" to enterprise clients. The Company will diversify the enterprise client base across China and will focus on further broadening the scope of virtual products with financial products, building on the success already seen with the use of insurance products. The Company expects strong growth from Insurance Brokerage Services being augmented with a recovery in Loyalty and Marketing Services as conditions normalise.

Statement as to the audit status

The report is based on accounts which are in the process of being audited. The Company expects that the audit, when completed, will result in an unqualified audit opinion.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB	2020 RMB
Revenue	7	208,131,952	231,734,330
Cost of sales		<u>(1,084,154)</u>	<u>(686,880)</u>
Gross profit		207,047,798	231,047,450
Other revenue	8	5,165,310	6,345,001
Other gains and losses, net	9	3,299,281	34,975,498
Selling and distribution expenses		(181,438,472)	(147,845,135)
Administration expenses		(55,915,048)	(62,084,382)
Loss arising from derecognition of financial assets at amortised cost	21(b)	(36,378,870)	-
Provision for impairment losses on trade and other receivables	36(a)	<u>(633,585)</u>	<u>(287,636)</u>
Operating (loss)/profit		(58,853,586)	62,150,796
Finance costs	10	<u>(14,790,879)</u>	<u>(15,642,209)</u>
(Loss)/profit before income tax	11	(73,644,465)	46,508,587
Income tax expense	13	<u>(587,117)</u>	<u>(14,949,047)</u>
(Loss)/profit for the year and total comprehensive income for the year		<u><u>(74,231,582)</u></u>	<u><u>31,559,540</u></u>
(Loss)/earnings per share (RMB)	14		
- Basic		<u><u>(0.064)</u></u>	<u><u>0.027</u></u>
- Diluted		<u><u>(0.064)</u></u>	<u><u>0.026</u></u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 RMB	2020 RMB
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	16	10,796,414	16,367,407
Intangible assets	17	49,941,021	66,055,631
Goodwill	18	-	3,440,400
Other receivable	21	115,000,000	-
Deferred tax assets	26	1,177,508	1,177,508
Total non-current assets		<u>176,914,943</u>	<u>87,040,946</u>
CURRENT ASSETS			
Inventories	20	5,373,910	153,606
Trade and other receivables	21	288,940,778	495,140,236
Amount due from a related party	19	20,278	1,066
Tax recoverable		4,619,565	3,417,927
Cash and bank balances	22	27,752,548	117,506,895
Total current assets		<u>326,707,079</u>	<u>616,219,730</u>
NON-CURRENT LIABILITIES			
Lease liabilities	29	2,935,939	8,164,447
Deferred tax liabilities	26	5,372,944	6,874,743
Total non-current liabilities		<u>8,308,883</u>	<u>15,039,190</u>
CURRENT LIABILITIES			
Trade and other payables	23	59,465,523	75,486,249
Contract liabilities	7	61,605,971	152,446,550
Amount due to a director	19	40,000	3,590,000
Derivative financial instruments	24	-	821,730
Bank and other loans	25	89,000,000	94,620,000
Lease liabilities	29	5,705,670	5,724,185
Current tax liabilities		1,009,739	2,814,954
Total current liabilities		<u>216,826,903</u>	<u>335,503,668</u>
NET CURRENT ASSETS		<u>109,880,176</u>	<u>280,716,062</u>
NET ASSETS		<u>278,486,236</u>	<u>352,717,818</u>
EQUITY			
Share capital	27	313,675,893	313,675,893
Reserves	28	(35,189,657)	39,041,925
TOTAL EQUITY		<u>278,486,236</u>	<u>352,717,818</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital RMB (Note 27)	Statutory reserve * RMB (Note 28)	Other reserve * RMB (Note 28)	Retained earnings/ (accumulated losses) * RMB	Total RMB
Balances at 1 January 2020	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
Loss for the year and total comprehensive income for the year	-	-	-	(74,231,582)	(74,231,582)
Transfer to statutory reserve	-	974,023	-	(974,023)	-
Balance at 31 December 2021	<u>313,675,893</u>	<u>6,557,744</u>	<u>(2,500,000)</u>	<u>(39,247,401)</u>	<u>278,486,236</u>

* These reserve accounts comprise the consolidated deficit of RMB35,189,657 (2020: reserves of RMB39,041,925) in the consolidated statement of financial position.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB	2020 RMB
Cash flows from operating activities		
(Loss)/profit before income tax	(73,644,465)	46,508,587
Adjustments for:		
Interest income	(245,651)	(845,339)
Finance costs	14,790,879	15,642,209
Depreciation of property, plant and equipment	7,538,232	8,331,841
Write off of property, plant and equipment	52,717	-
Write off of intangible assets	64,726	-
Amortisation of intangible assets	3,387,760	4,308,036
Amortisation of deferred initial differences on derivative financial liabilities	30,738	504,250
Provision for impairment loss of trade receivables	633,585	287,636
Change in fair value of derivative financial instruments	(852,468)	(1,405,983)
Exchange (gain)/loss, net	(26,869)	83,747
Reversal of Value-added Tax payable	(18,646,053)	(33,653,262)
Loss on deregistration of subsidiaries	588,173	-
Loss arising from derecognition of financial assets at amortised cost	36,378,870	-
Impairment loss on goodwill	3,440,400	-
Impairment loss on other intangible assets	12,785,709	-
Operating (loss)/profit before changes in working capital	(13,723,717)	39,761,722
(Increase)/decrease in inventories	(5,220,304)	171,703
Decrease in trade and other receivables	53,598,830	15,275,568
Decrease in trade and other payables and contract liabilities	(88,215,252)	(34,130,844)
Increase in balance with a related party	(19,212)	(18,322)
Cash (used in)/generated from operations	(53,579,655)	21,059,827
Interest received	245,651	845,339
Income taxes paid	(5,095,769)	(244,281)
Net cash (used in)/generated from operating activities	(58,429,773)	21,660,885
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,346,420)	(22,552)
Additions of intangible assets	(123,585)	(148,706)
Repayment from a director	-	40,000,000
Decrease in pledged bank deposit	-	10,000,000
Net cash (used in)/generated from investing activities	(1,470,005)	49,828,742

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB	2020 RMB
Cash flows from financing activities		
Repayment of advance from a director	(3,550,000)	(42,090,000)
Proceeds from borrowings	72,700,000	84,070,000
Repayments of borrowings	(78,320,000)	(72,150,000)
Interest paid	(14,790,879)	(15,642,209)
Repayment of principal portion of lease liabilities	(5,920,559)	(6,211,856)
Net cash used in financing activities	(29,881,438)	(52,024,065)
Net (decrease)/increase in cash and cash equivalents	(89,781,216)	19,465,562
Cash and cash equivalents at the beginning of year	112,506,895	93,125,080
Effect of exchange rate changes on cash and cash equivalents	26,869	(83,747)
Cash and cash equivalents at the end of year	22,752,548	112,506,895

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 CHESS Depositary Interests (“CDIs”) are listed on the Australian Securities Exchange (stock code: 99L (formerly known as 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 2021

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 2021:

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

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 which are not yet effective for the current accounting period.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

(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 HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1	Disclosure of Accounting Policies ³
Amendments to HKAS 8 and HKFRS Practice statement 22	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 and going concern assumption

The consolidated 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.

The Group recorded a loss of RMB74,231,582 and a negative operation cash flow of RMB58,429,773 for the year ended 31 December 2021, which may cast significant doubt on the Group’s ability to continue as a going concern. Nevertheless, the directors of the Company have adopted going concern basis in the preparation of the consolidated financial statements of the Group. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projection of the Group covering a period of 12-month from the end of the reporting period and the following factors:

- the Group would continue to extend and diversify enterprise clients and expand its sales channels to generate sufficient cash flows from future operations;
- the Group can recover sufficient advance from its debtor under investing activities; and
- the Group can continue to obtain sufficient financing from financial institutions through discounting transactions on the Group’s trade receivables;

There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern, and, therefore that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. Should the Group be unable to continue its business as a going concern, adjustments would have to be made in the consolidated financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of such adjustments has not yet been reflected in the consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. BASIS OF PREPARATION - Continued

(c) Functional and presentation currency- Continued

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(a) Business combination and basis of consolidation - Continued

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(b) Subsidiaries - Continued

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 on pro-rata 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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
Buildings leased for own use	Lease terms

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(e) Leasing

The Group as a lessee

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(e) Leasing - Continued

The Group as a lessee - Continued

Lease liability - Continued

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 modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(e) Leasing - Continued

The Group as a lessee - Continued

Lease liability - Continued

With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

The practical expedient for Covid-19-Related Rent Concessions applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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 ("FVTPL"), 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 entirety 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 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 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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(i) Financial assets - Continued

Debt instruments - Continued

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 FVTPL, 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 FVTPL 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 FVTPL, 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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

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 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL 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 FVTPL

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

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 FVTPL, 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 FVTPL 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 FVTPL 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(iii) Financial liabilities - Continued

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, amount due to a director 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(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 FVTPL 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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(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).

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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 Peoples' Republic of China (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 to 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(I) 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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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;
- investments in subsidiaries; and
- goodwill.

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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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) 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.

(b) 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.

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

(c) 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.

(d) 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.

(e) 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.

(f) Going Concern

As explained in Note 3(b), the directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration as detailed in Note 3(b). The directors of the Company also believe that the Group will have working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2020 and 2021.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021 RMB	2020 RMB
Revenue from contracts with customers		
- Commission and service income	207,049,382	231,387,473
- Sale of merchandises	1,082,570	346,857
Total	208,131,952	231,734,330

Timing of revenue recognition

	2021 RMB	2020 RMB
Revenue recognised at point in time	208,131,952	231,734,330

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

	2021 RMB	2020 RMB
Receivables	142,463,130	192,668,698
Contract liabilities	61,605,971	152,446,550

The contract liabilities mainly relate to the advance considerations received from customers. Contract liabilities as at 1 January 2021 was RMB152,446,550 (1 January 2020: RMB168,993,418), of which RMB152,446,550 (2020: RMB168,993,418) was recognised as revenue during the year and the contract liabilities as at 31 December 2021 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8. OTHER REVENUE

	2021 RMB	2020 RMB
Interest income		
- Bank deposits	245,651	535,339
- Loan to a director	-	310,000
Government grants*	3,474,226	4,746,699
Others	1,445,433	752,963
	<u>5,165,310</u>	<u>6,345,001</u>

* 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

	2021 RMB	2020 RMB
Exchange gain/(loss), net	26,869	(83,747)
Change in fair value of derivative financial instruments (note 24)	852,468	1,405,983
Reversal of Value-added Tax ("VAT") payable (note 23)	18,646,053	33,653,262
Impairment loss on goodwill	(3,440,400)	-
Impairment loss on other intangible assets	(12,785,709)	-
	<u>3,299,281</u>	<u>34,975,498</u>

10. FINANCE COSTS

	2021 RMB	2020 RMB
Interest on bank loans	240,444	756,888
Interest on other loans	13,546,554	14,217,511
Interest on lease liabilities	1,003,881	667,810
	<u>14,790,879</u>	<u>15,642,209</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2021 RMB	2020 RMB
Auditor's remuneration		
- Audit service	916,366	982,348
- Non-audit service	250,026	272,232
Cost of inventories recognised as an expense	741,753	249,243
Employee costs (including directors) comprise:		
- Contribution on defined contribution retirement plan	10,405,143	6,386,954
- Salaries and staff benefits	41,827,773	51,021,655
	<u>52,232,916</u>	<u>57,408,609</u>
Loss on deregistration of subsidiaries	588,173	-
Short-term leases expenses	195,565	106,130
Write off of property, plant and equipment	52,717	-
Write off of intangible assets	64,726	-
Amortisation of intangible assets (note 17)	3,387,760	4,308,036
Depreciation of property, plant and equipment (note 16)		
- Owned property, plant and equipment	1,378,311	2,023,715
- Right-of-use-assets	6,159,921	6,308,126
	<u>7,538,232</u>	<u>8,331,841</u>

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:

	2021 RMB	2020 RMB
Directors' fees	1,065,216	960,000
Salaries, bonuses, allowances and benefits	2,340,000	2,310,000
Contribution on defined contribution retirement plan	217,529	74,061
	<u>3,622,745</u>	<u>3,344,061</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. INCOME TAX EXPENSE

	2021 RMB	2020 RMB
Current tax - PRC		
- Tax for the year	2,088,916	2,457,476
Deferred tax (note 26)	<u>(1,501,799)</u>	<u>12,491,571</u>
Income tax expense	<u>587,117</u>	<u>14,949,047</u>

Hong Kong Profits Tax is calculated at 16.5% (2020: 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% (2020: 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% (2020: 25%).

Shanghai Handpal Information Technology Co., Ltd. ("Shanghai Handpal") 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. INCOME TAX EXPENSE - Continued

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

	2021 RMB	2020 RMB
(Loss)/profit before income tax	<u>(73,644,465)</u>	<u>46,508,587</u>
Tax calculated at the PRC EIT	(18,411,116)	11,627,147
Effect of non-taxable and non-deductible items, net	13,982,593	2,936,604
Effect of tax losses not recognised	5,245,915	1,107,732
Utilisation of tax losses previously not recognised	-	(2,743)
Others	<u>(230,275)</u>	<u>(719,693)</u>
Income tax expense	<u>587,117</u>	<u>14,949,047</u>

14. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	2021 RMB	2020 RMB
(Loss)/earnings for the purposes of basic earnings per share	(74,231,582)	31,559,540
Effect of dilutive potential ordinary shares - call options	<u>(821,730)</u>	<u>(901,733)</u>
(Loss)/earnings for the purpose of diluted earnings per share	<u>(75,053,312)</u>	<u>30,657,807</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. (LOSS)/EARNINGS PER SHARE - Continued

Number of shares

	2021	2020
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>12,209,277</u>	<u>36,929,825</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,171,892,040</u>	<u>1,196,612,588</u>

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020 and 2021, nor has any dividend been proposed since the end of reporting period.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB	Electronic and office equipment RMB	Motor vehicle RMB	Buildings leased for own use RMB	Total RMB
Cost					
At 1 January 2020	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
Additions	781,716	29,204	535,500	673,536	2,019,956
Write off	-	(782,492)	-	-	(782,492)
At 31 December 2021	5,095,382	12,315,386	1,764,560	17,815,204	36,990,532
Accumulated depreciation and impairment					
At 1 January 2020	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
Charge for the year	46,296	1,236,589	95,426	6,159,921	7,538,232
Write off	-	(729,775)	-	-	(729,775)
At 31 December 2021	4,316,848	10,914,067	1,324,486	9,638,717	26,194,118
Net book value					
At 31 December 2021	778,534	1,401,319	440,074	8,176,487	10,796,414
At 31 December 2020	43,114	2,661,421	-	13,662,872	16,367,407

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

17. INTANGIBLE ASSETS

	Licensing arrangement RMB (note (b))	Insurance license RMB (note (c))	Computer software RMB	Total RMB
Cost				
At 1 January 2020	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
Additions	-	-	123,585	123,585
Write off	-	-	(388,350)	(388,350)
At 31 December 2021	55,760,000	27,000,000	6,232,644	88,992,644
Accumulated amortisation				
At 1 January 2020	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
Amortisation expense	1,858,667	1,080,000	449,093	3,387,760
Write off	-	-	(323,624)	(323,624)
Impairment loss	12,785,709	-	-	12,785,709
At 31 December 2021	28,739,266	4,320,000	5,992,357	39,051,623
Carrying amounts				
At 31 December 2021	27,020,734	22,680,000	240,287	49,941,021
At 31 December 2020	41,665,110	23,760,000	630,521	66,055,631

Notes:

(a) Amortisation expenses have been included in:

	2021 RMB	2020 RMB
Consolidated statement of profit or loss and other comprehensive income:		
- Administration expenses	3,387,760	4,308,036

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. INTANGIBLE ASSETS - Continued

Notes: - Continued

- (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 2021, the licensing agreement has a remaining amortisation period of 21 years (2020: 22 years).

99 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 99loyaltytech.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 99loyaltytech.com mobile marketplace.

In accordance with the Beijing Dingli Agreements, the operations, assets (excluding the Insurance License and a restricted bank balance (note 22) 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 2020, 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 2021, the Insurance License has a remaining amortisation period of 21 years (2020: 22 years).

99 LOYALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. INTANGIBLE ASSETS - Continued

Notes: - Continued

- (d) During the year ended 31 December 2021, management of the Group identified impairment indicator of other intangible assets due to decline performance of the CGU in relation to the Group's provision of services via online marketplace. The Group assessed the recoverable amount of the other intangible assets allocated to the CGU and as a result the carrying amount of the other intangible assets was written down to its recoverable amount. Accordingly an impairment loss on licensing arrangement of RMB12,785,709 was recognised for the year ended 31 December 2021 (2020: nil).

18. GOODWILL

	2021 RMB	2020 RMB
As at 1 January	3,440,400	3,440,400
Impairment loss	<u>(3,440,400)</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>3,440,400</u>

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 21% (2020: 20%). Cash flows beyond the five-year period are extrapolated using an estimated average growth rate of 5% (2020: 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.

Due to decline performance of the CGU in relation to the Group's provision of services via online marketplace, an impairment loss on goodwill of RMB3,440,400 (2020: nil) was recognised for the year ended 31 December 2021 to write down the CGU to its recoverable amount of RMB189,000,000.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

19. AMOUNT DUE FROM A RELATED PARTY AND AMOUNT DUE TO A DIRECTOR

- (a) The amount due from a related party represent an amount due from 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.

Name of the related party	31 December 2021 RMB	Maximum amount outstanding during the year RMB	31 December 2020 RMB	Maximum amount outstanding during the year RMB	1 January 2020 RMB
Superio Pty Limited	<u>20,278</u>	<u>20,278</u>	<u>1,066</u>	<u>1,066</u>	<u>-</u>

- (b) As at 31 December 2021 and 2020, the amount due to a director represent an amount due to Ms. Zhang which was unsecured, interest-free and repayable on demand.

20. INVENTORIES

	2021 RMB	2020 RMB
Marketing merchandise	<u>5,373,910</u>	<u>153,606</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. TRADE AND OTHER RECEIVABLES

	Notes	2021 RMB	2020 RMB
Non-current			
Other receivable from Handpay	(b)	<u>115,000,000</u>	<u>-</u>
Current			
Trade receivables	(a)	142,463,130	192,668,698
Prepayments to suppliers		81,122,776	87,250,664
Other prepayments		11,275,157	2,130,607
Deposits		1,683,546	2,119,844
Other receivables		7,396,169	14,461,194
Other receivable from Handpay	(b)	<u>45,000,000</u>	<u>196,509,229</u>
		<u>288,940,778</u>	<u>495,140,236</u>

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% (2020: 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(b)). As at 31 December 2021, trade receivables of RMB57,255,661 (31 December 2020: RMB40,751,316) 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 2021 and 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. TRADE AND OTHER RECEIVABLES - Continued

- (b) Other receivable due from Handpay is mainly derived from the operation of 99 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 99loyaltytech.com mobile marketplace until renewal of existing contracts. Handpay also collects revenue and pay expenses on behalf of the Group. As at 31 December 2020, the amount was unsecured, interest-free and repayable on demand.

On 31 December 2021, the Group and Handpay agreed an modification on the terms of other receivable from Handpay of RMB196,378,870, under which modified other receivable from Handpay would be settled by instalments with maturity date extended to 31 December 2023 (the "Handpay Modification"). Except for the above, all other terms and conditions of modified other receivable from Handpay remain unchanged from the original terms.

In the opinion of the management, as the Handpay Modification results in a significant extension of the maturity date, it is a substantial modification and accounted for as derecognition of the original financial assets. The difference of RMB36,378,870 between the carrying amount of the outstanding other receivable from Handpay of RMB196,378,870 prior to the Handpay Modification and the amount recognised as new financial assets, being the fair value of the modified other receivable from Handpay, has been recognised in the consolidated statement of comprehensive income as loss arising from derecognition of financial asset measured at amortised cost during the year ended 31 December 2021. The fair value of modified other receivable from Handpay at the date of the Handpay Modification determined by a firm of independent professional valuer, based on discounted cash flows method that does not only use data from observable markets, was RMB160,000,000.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

22. CASH AND BANK BALANCES

	2021 RMB	2020 RMB
Cash and bank balances	27,752,548	117,506,895
Less:		
Deposit restricted for insurance brokerage work (note)	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	<u>22,752,548</u>	<u>112,506,895</u>

Note:

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

	2021 RMB	2020 RMB
Trade payables	41,903,474	31,678,084
Accruals and other payables (note)	<u>17,562,049</u>	<u>43,808,165</u>
	<u>59,465,523</u>	<u>75,486,249</u>

Note:

The Group is in progress to finalise certain tax treatment in relation to VAT amounted to RMB10,281,220 as at 31 December 2021 (2020: RMB28,898,686) filing with relevant tax authority in the PRC. As at 31 December 2021, VAT amounted to RMB18,646,053 (2020: RMB33,653,262) was reversed in accordance with relevant regulation in the PRC and recognised as other gain for the year ended 31 December 2021 (note 9). In the opinion of the management, there is possibility that VAT of RMB10,281,220 (31 December 2020: RMB28,898,686) may be reversed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. DERIVATIVE FINANCIAL INSTRUMENTS

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

Equity-linked Loan III - Continued

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. The unamortised deferred initial differences as at 31 December 2020 amounted to RMB30,738 and was fully amortised during the year ended 31 December 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 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.

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24. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

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 year ended 31 December 2021, all Subsequent Options were not exercised and were lapsed.

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	1,723,463
Change in fair value of derivative financial liabilities (note 9)	(1,405,983)
Amortisation of deferred initial differences on derivatives financial liabilities	504,250
Carrying amount as at 31 December 2020	821,730
Change in fair value of derivative financial liabilities (note 9)	(852,468)
Amortisation of deferred initial differences on derivatives financial liabilities	30,738
Carrying amount as at 31 December 2021	-
Carrying amount as at 31 December 2020	
Current portion	821,730
Carrying amount as at 31 December 2021	
Current portion	-

The change in the fair value of the derivative financial liabilities during the year ended 31 December 2021 results in a fair value gain of RMB852,468 (2020: RMB1,405,983) (note 9). For more detailed information in relation to the fair value measurement of derivative financial liabilities, please refer to note 36.

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25. BANK AND OTHER LOANS

	Notes	2021 RMB	2020 RMB
Bank loan - unsecured	(a)	4,000,000	20,000,000
Other loans - secured	(b)	56,000,000	40,000,000
Other loans - unsecured	(c)	29,000,000	34,620,000
		<u>89,000,000</u>	<u>94,620,000</u>

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

	2021 RMB	2020 RMB
Within one year or on demand	<u>89,000,000</u>	<u>94,620,000</u>

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

	2021 RMB	2020 RMB
RMB	<u>89,000,000</u>	<u>94,620,000</u>

Notes:

- (a) As at 31 December 2021, the effective interest rate of the Group's unsecured bank loan was at 4% per annum (2020: 4.35%).

As at 31 December 2021, bank loan of RMB4,000,000 (2020: RMB20,000,000) was guaranteed by Ms. Zhang.

- (b) As at 31 December 2021, the effective interest rates of the Group's secured other loans were ranging from 15% to 18% per annum (2020: 8% to 22.5%).

As at 31 December 2021, other loans of RMB56,000,000 (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 21(a)).

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

As at 31 December 2021, the Group's unsecured other loan of RMB12,700,000 (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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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 RMB
As at 1 January 2020	13,975,759
Charged to profit or loss for the year	<u>(12,798,251)</u>
As at 31 December 2020 and 2021	<u><u>1,177,508</u></u>

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 2021, the Group has unrecognised tax losses of RMB32,220,539 (2020: RMB11,236,879). 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 RMB
As at 1 January 2020	7,181,423
Credited to profit or loss for the year	<u>(306,680)</u>
As at 31 December 2020	6,874,743
Credited to profit or loss for the year	<u>(1,501,799)</u>
As at 31 December 2021	<u><u>5,372,944</u></u>

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 2021, no deferred tax liability has been recorded on temporary differences of RMB10,187,872 (2020: RMB16,383,173) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

27. SHARE CAPITAL

	Number of ordinary shares	RMB
Issued and fully paid up:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>1,159,682,763</u>	<u>313,675,893</u>

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/ (accumulated losses) RMB
At 1 January 2020	48,530,768
Loss for the year	<u>(10,513,761)</u>
At 31 December 2020	38,017,007
Loss for the year	<u>(77,523,549)</u>
At 31 December 2021	<u>(39,506,542)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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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 2021, the Group had 7 lease contracts (2020: 9) with the fixed monthly rent ranging from RMB1,500 to RMB411,352 (2020: RMB1,500 to RMB411,352).

Right-of-use assets

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

	2021 RMB	2020 RMB
Buildings leased for own use, carried at depreciated cost	<u>8,176,487</u>	<u>13,662,872</u>

Future lease payments are due as follows:

	Minimum lease payments RMB	Interest RMB	Present value RMB
As at 31 December 2021			
Not later than one year	6,230,965	525,295	5,705,670
Later than one year and not later than two years	3,061,675	141,735	2,919,940
Later than two years and not later than five years	<u>16,667</u>	<u>668</u>	<u>15,999</u>
	<u>9,309,307</u>	<u>667,698</u>	<u>8,641,609</u>
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	<u>36,667</u>	<u>2,982</u>	<u>33,685</u>
	<u>15,519,726</u>	<u>1,631,094</u>	<u>13,888,632</u>

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29. LEASES - Continued

The present value of future lease payments are analysed as:

	2021 RMB	2020 RMB
Current liabilities	5,705,670	5,724,185
Non-current liabilities	<u>2,935,939</u>	<u>8,164,447</u>
	<u>8,641,609</u>	<u>13,888,632</u>
	2021 RMB	2020 RMB
Short term lease expense	195,565	106,130
Aggregate undiscounted commitments for short term leases	52,320	65,648

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. CAPITAL COMMITMENT

There is no material capital commitment for the Group at the end of reporting year (2020: nil).

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NOTES TO THE FINANCIAL STATEMENTS
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31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB	2020 RMB
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Intangible asset		27,020,734	41,665,110
Interests in subsidiaries	32	97,090,535	119,966,535
Other receivables		115,000,000	-
Goodwill		-	3,440,400
Total non-current assets		<u>239,111,269</u>	<u>165,072,045</u>
CURRENT ASSETS			
Other receivables		26,599,615	175,332,350
Amounts due from subsidiaries		15,454,182	18,454,182
Amount due from shareholder		20,278	1,066
Cash and cash equivalents		<u>831,602</u>	<u>1,924,118</u>
Total current assets		<u>42,905,677</u>	<u>195,711,716</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>5,372,944</u>	<u>6,874,743</u>
Total non-current liabilities		<u>5,372,944</u>	<u>6,874,743</u>
CURRENT LIABILITIES			
Other payables		2,474,651	1,394,388
Derivative financial instruments		-	821,730
Total current liabilities		<u>2,474,651</u>	<u>2,216,118</u>
NET CURRENT ASSETS		<u>40,431,026</u>	<u>193,495,598</u>
NET ASSETS		<u>274,169,351</u>	<u>351,692,900</u>
EQUITY			
Share capital	27	313,675,893	313,675,893
(Accumulated losses)/retained earnings	28	<u>(39,506,542)</u>	<u>38,017,007</u>
TOTAL EQUITY		<u>274,169,351</u>	<u>351,692,900</u>

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NOTES TO THE FINANCIAL STATEMENTS
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32. INTERESTS IN SUBSIDIARIES

	2021 RMB	2020 RMB
Unlisted equity interest, at cost	126,338,535	126,338,535
Provision for impairment	<u>(29,248,000)</u>	<u>(6,372,000)</u>
	<u>97,090,535</u>	<u>119,966,535</u>

Particulars of the principal subsidiaries at 31 December 2020 and 2021 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 in	
					2021 <u>Direct</u>	2020 <u>Direct</u>
Ninety nine Trading (Shanghai) Co., Ltd. 耐特耐商贸 (上海) 有限公司	Limited liability company	PRC, 2 July 2013	Investment holding in PRC	HK\$40,000,000	100%	100%
Kyonichi Trading Limited 京日貿易有限公司	Limited liability company	Hong Kong, 27 November 2015	Investment holding	HKD10,000	100%	100%
Aide Trading Limited 艾德貿易有限公司	Limited liability company	Hong Kong, 28 July 2016	Investment holding	HKD10,000	100%	100%
					<u>Indirect</u>	<u>Indirect</u>
Shanghai Xinshunhui Trading Co., Ltd. 上海鑫顺汇商贸有限公司	Limited liability company	PRC, 27 June 2013	Investment holding in PRC	RMB30,100,000	100%	100%

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32. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the principal subsidiaries at 31 December 2020 and 2021 are as follows: -
Continued

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 in	
					2021 <u>Indirect</u>	2020 <u>Indirect</u>
Shanghai Handpal 上海瀚之友信息技术 服务有限公司	Limited liability company	PRC, 4 July 2013	Provision of services on a mobile marketplace in PRC	RMB30,000,000	100%	100%
Shanghai Handqian 上海瀚乾信息技术 服务有限公司 (Note a)	Limited liability company	PRC, 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, 12 January 2016	Provision of services on a mobile marketplace in PRC	Nil	100%	100%
上海邦道信息技术 有限公司	Limited liability company	PRC, 12 January 2016	Provision of services on a mobile marketplace in PRC	RMB10,000,000	100%	100%
上海瀚栋信息技术有 限公司 (“Shanghai Handdong”) (Note b)	Limited liability company	PRC, 14 September 2016	Investment holding in PRC	RMB10,000,000	100%	100%
上海层畅信息技术有 限公司	Limited liability company	PRC, 14 March 2017	Provision of services on a mobile marketplace in PRC	Nil	100%	100%

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32. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the principal subsidiaries at 31 December 2020 and 2021 are as follows: -
Continued

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 in	
					2021 <u>Indirect</u>	2020 <u>Indirect</u>
上海易河信息技术有限公司	Limited liability company	PRC, 10 March 2017	Provision of services on a mobile marketplace in PRC	Nil	100%	100%
Beijing Dingli 北京鼎立保险经纪有限公司	Limited liability company	PRC, 13 May 2014	Provision of insurance brokerage services	RMB50,000,000	100%	100%
海南安鸿信息技术有限公司	Limited liability company	PRC, 19 June 2018	Provision of services on a mobile marketplace in PRC	Nil	100%	100%
天津丰迈信息技术有限公司	Limited liability company	PRC, 12 April 2019	Provision of services on a mobile marketplace in PRC	Nil	100%	100%
上海志華信息技术有限公司	Limited liability company	PRC, 23 April 2019	Provision of services on a mobile marketplace in PRC	Nil	100%	100%

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32. INTERESTS IN SUBSIDIARIES - Continued

Particulars of the principal subsidiaries at 31 December 2020 and 2021 are as follows: -
Continued

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 in	
					2021 <u>Indirect</u>	2020 <u>Indirect</u>
上海禎菱信息技術有限公司	Limited liability company	PRC, 14 January 2020	Provision of services on a mobile marketplace in PRC	Nil	100%	100%
上海彰佑信息技術有限公司 (Note a)	Limited liability company	The PRC, 12 June 2019	Provision of services on a mobile marketplace in PRC	Nil	-	100%
江苏嘉魁信息技術有限公司	Limited liability company	PRC, 14 July 2021	Dormant	Nil	100%	100%
江苏延僕信息技術有限公司	Limited liability company	PRC, 14 July 2021	Dormant	Nil	100%	100%
上海禎鳴貿易有限公司	Limited liability company	PRC, 13 October 2021	Dormant	Nil	100%	100%

Notes:

- (a) These subsidiaries have been deregistrated during the year ended 31 December 2021.
- (b) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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:

	<u>Type of transaction</u>	<u>2021 RMB</u>	<u>2020 RMB</u>
Superio Pty Limited	Professional services fee	1,626,942	535,033
Ms. Zhang	Interest income	-	310,000
Nanping Yingjie	Interest expense	<u>1,616,944</u>	<u>-</u>

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) Cash and cash equivalents comprise

	<u>2021 RMB</u>	<u>2020 RMB</u>
Cash available on demand	<u>22,752,548</u>	<u>112,506,895</u>

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34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

(b) Reconciliation of liabilities arising from financing activities:

	Bank loans (notes 25(a)) RMB	Other loans (notes 25(b)&(c)) RMB	Lease liabilities (note 29) RMB	Amount due to a director RMB	Equity-linked Loans (note 24) RMB
At 1 January 2020	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 of advance from 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
Changes from cash flows:					
Proceeds from borrowings	4,000,000	68,700,000	-	-	-
Repayments of borrowings	(20,000,000)	(58,320,000)	-	-	-
Repayment of advance from a director	-	-	-	(3,550,000)	-
Lease payments	-	-	(5,920,559)	-	-
Interest paid	(240,444)	(13,546,554)	(1,003,881)	-	-
Other changes:					
Change in fair value	-	-	-	-	(852,468)
Interest expenses	240,444	13,546,554	1,003,881	-	-
Additions in leases liabilities	-	-	673,536	-	-
Amortisation of deferred initial differences on derivatives financial liabilities	-	-	-	-	30,738
At 31 December 2021	4,000,000	85,000,000	8,641,609	40,000	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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:

	2021 RMB	2020 RMB
Total debts	<u>89,040,000</u>	<u>98,210,000</u>
Total shareholders' equity	<u>278,486,236</u>	<u>352,717,818</u>
Gearing ratio	<u>32%</u>	<u>28%</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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% (2020: 40%) 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 to 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.

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

(a) Credit risk - Continued

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

	Expected loss rate (%)	Gross carrying amount (RMB)	Loss allowance (RMB)
<u>As at 31 December 2021</u>			
Neither past due nor impaired	0.2%	85,323,620	170,647
Less than 1 month past due	1.0%	26,237,460	262,374
1 to 3 months past due	2.0%	28,607,810	572,156
More than 3 months	5.7%	3,498,852	199,435
		<u>143,667,742</u>	<u>1,204,612</u>
<u>As at 31 December 2020</u>			
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	5.7%	3,327,461	111,740
		<u>193,239,725</u>	<u>571,027</u>

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:

	2021 RMB	2020 RMB
Balance at 1 January	571,027	283,391
Provision for impairment loss determined under HKFRS 9	<u>633,585</u>	<u>287,636</u>
Balance at 31 December	<u>1,204,612</u>	<u>571,027</u>

Increase in long overdue trade receivables resulted in an increase in loss allowance of RMB633,585 during the year ended 31 December 2021.

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

(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 RMB	Total contractual undiscounted cash flows RMB	Within one year or on demand RMB	More than 1 year but less than 2 years RMB	More than 2 years but Less than 5 years RMB
At 31 December 2021					
Trade and other payables	54,357,805	54,357,805	54,357,805	-	-
Amount due to a director	40,000	40,000	40,000	-	-
Bank and other loans	89,000,000	94,157,903	94,157,903	-	-
Lease liabilities	8,641,609	9,309,307	6,230,965	3,061,675	16,667
	<u>152,039,414</u>	<u>157,865,015</u>	<u>154,786,673</u>	<u>3,061,675</u>	<u>16,667</u>
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
	<u>158,686,195</u>	<u>168,051,667</u>	<u>159,243,801</u>	<u>8,771,199</u>	<u>36,667</u>

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

(c) Interest rate risk

The Group's cash flow interest rate risk mainly arises from bank balances at floating rates as disclosed in notes 22 and 19 while the Group's fair value interest-rate risk mainly arises from 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 undue 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 bank and other loans are disclosed in notes 25.

(d) Currency risk

The following table indicates the approximate change in the Group's (loss)/profit for the year and (accumulated losses)/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 a decrease/increase in (loss)/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 (loss)/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:

	2021 RMB	2020 RMB
Denominated in HK\$		
Cash and bank balances	318,089	634,709
Overall net exposure	<u>318,089</u>	<u>634,709</u>
Denominated in A\$		
Cash and bank balances	18,448	62,720
Derivative financial instruments	-	(821,730)
Overall net exposure	<u>18,448</u>	<u>(759,010)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

(d) Currency risk - Continued

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

	Increase/ (decrease) in foreign exchange rates %	Effect on loss for the year ended 31 December 2021 and accumulated losses RMB	Increase/ (decrease) in foreign exchange rates %	Effect on profit for the year ended 31 December 2020 and retained profits RMB
HK\$	+5%	15,904	+5%	31,735
	-5%	(15,904)	-5%	(31,735)
A\$	+5%	922	+5%	(37,951)
	-5%	<u>(922)</u>	-5%	<u>37,951</u>

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

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

Fair value hierarchy

The 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: 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.

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

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NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT - Continued

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

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
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 is 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.

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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 2021 and 2020 may be categorised as follows:

	2021 RMB	2020 RMB
Financial assets		
Assets measured at amortised cost:		
Trade and other receivables	311,542,845	405,758,965
Amount due from a related party	20,278	1,066
Cash and bank balances	27,752,548	117,506,895
	<u>339,315,671</u>	<u>523,266,926</u>
Financial liabilities		
Liabilities measured at amortised cost:		
Trade and other payables	54,357,805	46,587,563
Amount due to a director	40,000	3,590,000
Lease liabilities	8,641,609	13,888,632
Bank and other loans	89,000,000	94,620,000
	<u>152,039,414</u>	<u>158,686,195</u>
Liabilities measured at FVTPL:		
Derivative financial instruments	-	821,730
	<u>152,039,414</u>	<u>159,507,925</u>