Steering Holdings Limited
旭通控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1826

2020 Annual Report
年報

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Ms. Feng Xuelian
Mr. Ng Kin Siu *(Chief executive officer)*
Mr. Gao Yunhong (re-designated as
non-executive Director on 20 February 2020)
Mr. Wang Jing *(Chairman)*
(appointed on 20 February 2020 and
resigned on 26 November 2020)

Non-executive Director:

Mr. Gao Yunhong (re-designated as
non-executive Director on 20 February 2020)

Independent non-executive Directors:

Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony
Mr. Lau Kwok Fai Patrick

COMPANY SECRETARY

Mr. Lee Chi Yung
(appointed on 18 May 2020)
Mr. Yu Tsz Ngo
(resigned on 18 May 2020)

CORPORATE DEVELOPMENT ADVISER

Mr. Zhang Huaqiao

HONG KONG LEGAL ADVISER

Ince & Co
4404–10, 44th Floor
One Island East
18 Westlands, Taikoo Place
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ng Kin Siu
Mr. Lee Chi Yung
(appointed on 18 May 2020)
Mr. Yu Tsz Ngo
(resigned on 18 May 2020)

AUDIT COMMITTEE

Mr. Lau Kwok Fai Patrick *(Chairman)*
Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony

REMUNERATION COMMITTEE

Mr. Wan Chi Wai Anthony *(Chairman)*
Mr. Gao Yunhong
Mr. Chan Yuk Sang

NOMINATION COMMITTEE

Ms. Feng Xuelian
Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony
Mr. Lau Kwok Fai Patrick
Mr. Wang Jing *(Chairman)*
(appointed on 20 February 2020 and
resigned on 26 November 2020)
Mr. Gao Yunhong (resigned on 20 February 2020)

AUDITORS

HLB Hodgson Impey Cheng
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3601, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
Bank of Communications
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

www.steering.com.hk

STOCK CODE

01826

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors (the "**Directors**") of Steering Holdings Limited (the "**Company**"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020.

RESULTS

During the year under review, due to the outbreak of coronavirus disease, the economies of China and Hong Kong slowed down, which lowered the revenue of the Group by 63.4% from HK$1,293.3 million for the corresponding period in 2019 to approximately HK$473.9 million. During the year under review, the Group recorded a gross loss of approximately HK$10.0 million as compared to a gross profit of approximately HK$585.6 million for the corresponding period in 2019. As a result of the above reasons, together with the impairment losses under expected credit loss model, net of reversal of approximately HK$311.1 million during the year under review, the Group recorded a net loss of approximately HK$429.5 million for the year under review as compared to a net profit of approximately HK$116.6 million for the corresponding period in 2019.

BUSINESS REVIEW AND PROSPECT

The year 2020 was a challenging year for the Group. Faced with the outbreak of the coronavirus disease, the China-US trade dispute and the significant slowing down of the economy of China, all segments of the Group were affected and it is anticipated that such impact will last until 2021. Notwithstanding these difficult circumstances, the Group possesses extraordinary talents and ample market experience in China and Hong Kong, which will allow us to improve our business performance and financial condition by leveraging existing resources to overcome challenges. In addition, the Group will enhance communication with its stakeholders, including banks, substantial shareholders and potential investors in Hong Kong and China to ensure the prompt availability of future funding, if needed. The Group is also considering undergoing merger and acquisition to accelerate business development, subject to sufficient financial resources.

Financial information and technology services segment

In the past few years, to diversify business and income source, the Group has been exploring the Chinese market to increase its shareholder's value. However, during the year under review, the development of the loan facilitation industry was seriously affected by the rapidly changing business environment and the weakened consumer sentiment in China, leading to a plunge in the usage of financial information and technology services in the first half of 2020. In July 2020, the China Banking and Insurance Regulatory Commission promulgated the Interim Measures for the Administration of Internet Loans issued by Commercial Banks (《商業銀行互聯網貸款管理暫行辦法》), which defined the contents and areas of internet loans and improved risk management, management of compliance organization, consumer protection and regulatory measures during and after the transaction process. Such interim measures provide a direction for the compliance matters of the loan facilitation business. Therefore, the Group decided to reposition its loan facilitation business, which was suspended in the fourth quarter of 2020, to review the impact of the new policy on the Group while continuing to recover account receivables and prepayment from the said business.

The Group will continue to monitor the development of Chinese policy and reposition its existing business model. In order to reduce the Group's dependency on the Chinese consumer market, the Group has expanded its platform's services to consumer debt management, through which the Group provides services to borrowers and credit services providers as a financial intermediary. In the fourth quarter, the Group has commenced preparation work for the relevant business. If the Group fully implements such a repositioning strategy, it is anticipated that the Group's cash flow and liquidity position will be improved.

CHAIRMAN'S STATEMENT

Construction segment

Due to the impact on the financial information and technology services segment of the Group, the financing banks have tightened the credit facility limits for the construction segment. Accordingly, the operation of the contracting and consultancy services suffered from substantial impact; coupled with economic downturn, lower income was recorded for the year under review. During the year under review, the Group disposed of two subsidiaries operating non-core business to mitigate the cashflow pressure on the operation of the contracting and consultancy services. In addition, the Company restructured the operation of contracting and consultancy services and disposed of the building consultancy business by signing a memorandum of understanding in October 2020. The formal sales and purchase agreement was signed in January 2021 and the transaction was completed in February 2021. We will concentrate resources for the development of the contracting business for the construction segment after restructuring. The Company will consider streamlining the existing Group structure by disposing of its non-core business in order to solidify the financial position of the Group.

Looking forward, it is the Group's long term development strategy to focus on the Chinese market and develop a financial information and technology services business while maintaining our strong footprint in the construction segment in Hong Kong. Also, the Group will leverage its talents and technological capabilities to collaborate with different strategic alliances to provide high value-added services to its customers in the PRC and Hong Kong.

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express our gratitude to our shareholders, clients, business partners and suppliers who trust and remain faithful to the Group. I would also like to express our sincere gratitude and appreciation to the management and staff for their commitment and contribution to the continued success of the business throughout the years.

Feng Xuelian
Executive Director

Hong Kong, 30 March 2021

MANAGEMENT RESPONSE AND THE BOARD'S PLANS/ACTIONS TO DISCLAIMER OPINION

The Group carried out its loan facilitation business (the "**Loan Facilitation business**") in the PRC through Shanghai Faye Yu Technology Company Limited ("**Shanghai Faye Yu**") and its non-wholly owned subsidiaries (collectively, the "**Shanghai Faye Yu Group**"). The Group established Shanghai Faye Yu in April 2018 which acquired 51% of the equity interest in Shangrao Hongmiao Information Technology Co., Ltd. ("**Shangrao Hongmiao**") in August 2018. Subsequently, Shangrao Hongmiao established two wholly owned subsidiaries in August 2018 and September 2018 respectively. In May 2019, Shangrao Hongmiao entered into a series of agreements to obtain effective control over the finance, operation and assets of Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd. (the "**OPCO**").

During the year ended 31 December 2020 (the "**Year**"), the revenue of the Shanghai Faye Yu Group amounted to approximately HK$16.3 million (2019: HK$746.6 million). Shanghai Faye Yu Group recorded a gross loss and net loss before taxation of approximately HK$4.7 million and HK$321.0 million (2019: gross profit of HK$539.9 million and net profit before taxation of HK$257.5 million) respectively during the Year. As at 31 December 2020, Shanghai Faye Yu Group had total assets and net liabilities of approximately HK$73.1 million and HK$109.2 million respectively (31 December 2019: total assets of HK$536.4 million and net assets of HK$260.4 million).

Other receivables, deposits and prepayments

As mentioned in the "Management discussion and analysis" section on page 14 of this report, during the Year, other receivables of approximately HK$74.5 million has been credit-impaired which was related to two of the agents of the Shanghai Faye Yu Group in the PRC. Full provision has been made on the amount outstanding; nevertheless, the Group will endeavor to recover the other receivables by implementing methods including but not limited to taking legal actions and/or negotiating with the agents to obtain collateral.

As mentioned in the "Management discussion and analysis" section on page 15 of this report, during the Year, other receivables from a credit service provider of the Shanghai Faye Yu Group amounted to approximately HK$77.5 million has been impaired in accordance with the ECL measurement as per an independent valuation report. As at 31 December 2020, the Security Sum, having taken into account the set-off arrangement and ECL measurement, amounted to approximately HK$29.2 million; nevertheless, the Group will endeavor to recover the other receivables from a credit service provider by implementing methods including but not limited to taking legal actions and/or negotiating with the credit service provider to obtain collateral.

As mentioned in the "Management discussion and analysis" section on page 16 of this report, during the Year, deposit to a financial institution of the Shanghai Faye Yu Group amounting to approximately HK$9.2 million has been credit-impaired while deposit to a credit service provider of the Shanghai Faye Yu Group amounting to approximately HK$27.3 million has been impaired in accordance with the ECL measurement as per an independent valuation report. As at 31 December 2020, deposit to a financial institution amounted to nil and deposit to a credit service provider, having taken into account the ECL measurement amounting to approximately HK$10.3 million; nevertheless, the Group will endeavor to recover the deposit to a credit service provider and a financial institution by implementing methods including but not limited to taking legal actions and/or negotiating with the credit service provider and the financial institution to obtain collateral.

The management of the Group and the auditor have come to a consensus that as 1) Shanghai Faye Yu Group has ceased operations in December 2020 and impairment has been made during the Year; and 2) if the Group disposes of the Shanghai Faye Yu Group in 2021 which, if materialized, will lead to Shanghai Faye Yu Group ceasing to be subsidiaries of the Group upon completion and being treated as having been disposed of in the year ending 31 December 2021, there will still be qualifications relating to the impairment of the other receivables, deposits and prepayments up to the date of the disposal of Shanghai Faye Yu Group. In addition, the gain or loss on the disposal is also expected to be qualified in the following year.

MANAGEMENT RESPONSE AND THE BOARD'S PLANS/ACTIONS TO DISCLAIMER OPINION

Income tax expense and tax payable

As at 31 December 2020, tax payable in relation to PRC enterprise income tax for the year ended 31 December 2019 of Shanghai Faye Yu Group amounted to approximately HK$119.3 million and the management was still in the process of negotiating with local tax authorities to finalize the taxable amount. The provision made as at 31 December 2020 was based on the 2019 taxable amount without taking into account certain impairment of trade and other receivables made by the Group in 2020. The provision may be subject to change depending on the outcome of the deductibility of the impairment of trade and other receivables and surcharges of later payment, if any. The actual amount may be higher or lower than the estimates and this will have a significant impact on the income tax expense and tax payable.

In March 2021, the Company engaged an independent tax expert to assess the final tax payable of Shanghai Faye Yu Group which is still in progress up to the date of this report. As at the date of this report, based on the estimation and associated assumptions as mentioned above, the Directors of the Company consider the tax payable as at 31 December 2020 to be adequate. The management will continue to work with the tax expert and at the same time negotiate with local tax authorities to finalize the taxable amount.

The management of the Group and the auditor have come to a consensus that if the Group 1) makes necessary adjustments in accordance with the tax expert's tax report upon completion; and 2) disposes of the Shanghai Faye Yu Group in 2021 which, if materialized, will lead to Shanghai Faye Yu Group ceasing to be subsidiaries of the Group upon completion and being treated as having been disposed of in the year ending 31 December 2021, there will still be qualifications related to the income tax expense up to the date of the disposal of Shanghai Faye Yu Group. In addition, the gain or loss on disposal is also expected to be qualified in the following year.

Multiple uncertainties relating to the going concern

The Group recorded a net loss of approximately HK$429.5 million for the Year (2019: net profit of HK$116.6 million) and had net current liabilities of approximately HK$16.8 million (2019: net current assets of HK$356.3 million) which may have a considerable impact on the liquidity position of the Group.

There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

1. The Company has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group;

2. The Group has received a written confirmation dated 1 January 2021 from Mr. Gao, who is a controlling shareholder of the Company through his interest in Gentle Soar, confirming that he will provide financial support to the Group in the following 18 months on a going concern basis. Such assistance to be received by the Group will not be secured by any assets of the Group;

3. The Group has taken measures to tighten cost control over expenses, manage and expedite receivables and negotiate a compromise with creditors with a view to achieving positive cash flow from operations; and

4. The Group may consider disposing of its loss-making non-core business and/or financial assets if required.

MANAGEMENT RESPONSE AND THE BOARD'S PLANS/ACTIONS TO DISCLAIMER OPINION

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the development and outcome of the steps taken by the management of the Company as described above. After taking into account the additional working capital which may be obtained as a result of the above steps and its available internal resources, the Directors of the Company believe that the Group will have sufficient working capital for at least 12 months from the date of this report. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

The Audit Committee has reviewed the basis of the disclaimer and discussed with the auditor regarding the financial position of the Group, the measures taken and to be taken by the Company, and considered the auditor's rationale and understands their consideration in arriving at their opinion.

REMOVAL OF THE AUDIT QUALIFICATIONS

Based on the Company's discussion with the auditor, as sufficient appropriate audit evidence is yet to be obtained regarding the management's future assessment as at 31 December 2021, the auditor is unable to ascertain whether all audit qualifications can be removed in respect of the Group's financial statements for the year ending 31 December 2021 at this moment.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Financial information and technology services segment

This segment involves the provision of financial information and technology services to individuals in the PRC with the aim of changing consumer habits through providing a wide range of financial products or services to improve customers' accessibility of financial services. The Group will act as a financial intermediary to leverage on risk management and operations management's systems and other related technologies to analyse big data, assess risk levels, and match the financial needs of services providers and consumers by adopting artificial intelligence.

Construction segment

The services involved in the construction segment include: contracting services for alteration and addition works, maintenance, specialist works and new development, and consulting services for alteration and addition works, new development, licensing and building services for buildings in Hong Kong. The Group provides a one-stop integrated solution for both contracting and consulting services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offering value-adding services such as providing advice on designs to the Group's customers.

BUSINESS REVIEW AND OUTLOOK

The Group continued to develop contracting services in the construction segment in Hong Kong and the financial information and technology services business in the PRC. The Directors believe that the continuous diversification of business and income streams will take advantage of new business opportunities that may give rise to more sustainable growth in shareholders' value and empower us to capture greater opportunities.

With the outbreak of the coronavirus pandemic (the "**COVID-19**") in the first quarter of 2020, the economic activities during the first half of the year in the PRC and Hong Kong were severely affected due to the implementation of travel restrictions and social distancing measures which disrupted supply chains and changed consumption habits. The lockdowns have negatively affected the consumer market in the PRC with many workers facing layoffs, pay cuts and furloughs. On the other hand, consumption habits are seen to have shifted online, which in turn alleviated the downside effects on consumption and boosted online retail sales.

The business operation of the Group has been affected by the COVID-19 outbreak during the year. Some of the customers' repayments are in unexpected arrears. In addition, travel restrictions in the PRC have resulted in difficulties for some of the Group's employees to report duty, which has adversely affected the operational efficiency of the Group. Considering the progress of the vaccine rollout in the first quarter of 2021, the Company expects that operations will be back to normal as soon as the pandemic becomes under control.

Financial information and technology services segment

The Group has tapped into the financial information and technology services segment in the last quarter of 2018 to diversify the Group's portfolio and expand its operations into China by developing a range of high integrity and user-friendly platforms to serve the financial services users in the PRC. In the long run, the Group will continue to develop its business in this segment through enhancing customers' experiences and developing new channels to become a nationwide enterprise with diverse value-added products in the financial service industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company was adopting profitable business models by working with different types of strategic partners in the "loan facilitation" (助貸) services in the PRC in 2019. The Company adopted (i) the "business security model" (業務押金模式), where a certain amount of security deposit was provided to the Financial Service Provider to secure the Company's performance under the relevant contracts, and (ii) the "credit trust model" (信任模式), where no security deposit or other pledged asset was involved. With the expansion of the financial information and technology services in the PRC and an increasing competitiveness of the market, the "business security model" has become a common practice in the market as financial service providers could better manage their risks and safeguard their interest in the event of default of payment by borrowers.

The fintech related industry in the PRC has been booming over the past few years. The global consumer adoption of fintech services has surged steadily from 16% in 2015 to 64% in 2019 while China's small and medium-sized enterprises ("**SMEs**") adoption rate was the highest compared with other countries at 61% according to the EY's Global FinTech Adoption index. In August 2019, the central bank of China issued a three-year development plan to improve the quality of financial services, strengthen regulation on technology-driven innovations, and prevent systemic financial risks which could improve the operating environment of the fintech related industry in the PRC.

Nevertheless, the financial information and technology services segment faced headwinds in 2020 amid the pandemic-induced economic downturn in which the Company confronted higher credit risks as consumer finance and SMEs were seriously affected. Credit cycles have been frozen as borrowers and lenders become increasingly wary of making loans until the pandemic passes and the economy fully restarts, leading to a plunge in the usage of the Group's financial information and technology services in the first half of the year.

In addition, in response to the impact of COVID-19 on the Group's operations, the Group has repositioned its business models by expanding its platform's services to consumer debt management in the second half of 2020, where the Group provides services to credit services providers as a financial intermediary. Reference is made to the announcement of the Company dated 30 December 2020. In November 2020, the China Banking and Insurance Regulatory Commission officially announced the end of China's internet financial peer-to-peer lending (P2P) sector, leading to the cessation of business of all operating platforms. The Loan Facilitation business of the Company, developed by its financial information and technology services segment as an intermediary platform, has also been affected by the above. Considering the factors as mentioned in the "Impairment losses, net of reversal" section on page 12 of this report, approximately HK$290.9 million of impairment on receivables including intermediary commissions and prepayments have been made for the Year.

Having made reference to different overseas credit business models, the Company intends to further explore on the business model to provide debt restructuring solutions to borrowers who are in financial difficulties and are unable to meet his/her/its repayments of credit card debts and/or debts owing to consumer finance companies, small sized loan companies or even private lenders, etc. The Board believes that, by providing a broader range of financial services, the Group would enlarge its customers base and reduce credit risk exposure. The Company is setting up a one-stop consumer debt management services platform, to provide consultancy services to borrowers and credit service providers as a financial intermediary. It is expected that the repositioning, if materialised, will improve the cash flow and liquidity position of the Group since the new services will reduce the Group's reliance on the consumer market in China. The Company will closely monitor market situations and adjust its strategies as and when needed. In addition, the Group has strengthened cost control and resources management including retrenchment of certain employees in respect of the Group's financial information and technology services segment and putting certain of them on furlough. The Company will keep track of its capital requirements and maintain a continuous dialogue with its stakeholders, including bankers, major shareholders and potential investors in Hong Kong and China, to ensure that future funding, if needed, can be secured in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Construction segment

The Board has been informed by the financing banks of the Group that due to the high risk profile of the Group's financial information and technology services as well as unsatisfactory financial performance of the Group, the financing banks have adopted strengthened credit measures (the "**Strengthened Credit Measures**") towards the Group and tightened the credit control over the Group, including but not limited to accelerating loan repayments and reducing the credit facility limits. As a result of the Strengthened Credit Measures, the Group has repaid HK$47.5 million being part of the accelerated loan repayments during the Year. The Strengthened Credit Measures have substantial impact on the operation of the contracting and consultancy services of the Group which may further cast doubt on certain subsidiaries' ability to continue as a going concern with regard to the contracting and consultancy services. Having said the above, the Company will endeavour to continue the operation of the contracting service business, while it considers streamlining the existing Group structure by disposing of its non-core business and/or financial assets to solidify the financial position of the Group. In this regard, the Company has disposed of certain subsidiaries. For details, please refer to the sub-section headed "Material Acquisition and Disposal of Subsidiaries".

FINANCIAL REVIEW

During the Year, due to the slow down of the economy in the PRC and Hong Kong and the outbreak of COVID-19, the revenue of the Group decreased by approximately HK$819.4 million or 63.4% to approximately HK$473.9 million (2019: HK$1,293.3 million). The Group recorded a gross loss of approximately HK$10.0 million (2019: gross profit of HK$585.6 million). During the Year, the Group recognised impairment losses under ECL model, net of reversal of approximately HK$311.1 million (2019: HK$208.0 million). As a result, the Group recorded a net loss for the Year of approximately HK$429.5 million (2019: net profit of HK$116.6 million).

Financial information and technology services segment

The revenue from financial information and technology services decreased by approximately HK$729.6 million or 97.7% from approximately HK$746.6 million for the year ended 31 December 2019 to approximately HK$17.0 million for the Year due to the factors as mentioned in the "Business review and outlook" section on page 10 of this report. Therefore, the financial information and technology services segment recorded a gross loss of approximately HK$4.7 million (2019: gross profit of HK$540.0 million), and gross loss margin of 27.6% for the Year (2019: gross profit margin 72.3%).

Construction segment

In August 2020, the Group entered into two sales and purchase agreements to dispose of two non-core subsidiaries at the consideration of approximately HK$5.7 million and HK$1.0 million, respectively, the completion of which took place in November 2020 and December 2020, respectively. The revenue of the two non-core subsidiaries during the Year, which was included in contracting services, was approximately HK$12.4 million and HK$6.2 million respectively.

During the Year, the demands of the Group's contracting and consulting services dropped as compared with the previous year due to the economic downturn in Hong Kong. All the services involved in the construction segment including alternation and addition works, maintenance, specialist works and new development and licensing were severely affected. As a result, the revenue of contracting services and consulting services declined by approximately 15.8% and 22.0% from approximately HK$489.1 million and HK$57.7 million for the year ended 31 December 2019 to approximately HK$411.9 million and HK$45.0 million respectively for the Year.

The contracting services recorded a gross loss of approximately HK$9.1 million for the Year (2019: gross profit of HK$31.0 million) and recorded a gross loss margin of 2.2% for the relevant period (2019: gross profit margin of 6.3%).

The gross loss of contracting services was mainly due to (i) the decrease in gross profit of our top five projects in terms of the contract size; and (ii) high costs of the project team and operating team incurred in maintaining competitiveness of the Group in the tender bidding of other projects in the coming years.

The gross profit of consultancy services decreased by approximately HK$10.9 million or 74.7% from approximately HK$14.6 million for the year ended 31 December 2019 to approximately HK$3.7 million for the Year, and the gross profit margin thereof decreased from approximately 25.3% for the year ended 31 December 2019 to approximately 8.2% for the Year.

The decrease in gross profit in consultancy services was mainly due to COVID-19 epidemic during the year under review resulting in the delay in the progress of existing projects and projects put on hold by customers.

Other Income

Other income amounted to approximately HK$26.6 million for the Year (2019: HK$1.4 million), representing an increase of approximately 1,800.0%, which included approximately HK$9.4 million of employment support scheme in Hong Kong and approximately HK$15.9 million of government grants to certain subsidiaries of the Company located in the PRC.

Other Gains and Losses

The Group has other net losses of approximately HK$24.0 million (2019: HK$54.6 million) for the Year. It resulted from the gain on disposal of subsidiaries, of approximately HK$1.9 million and offset by the effect of impairment losses of intangible assets of approximately HK$5.2 million, impairment losses of right-of-use assets of approximately HK$5.0 million, impairment losses of property, plant and equipment of approximately HK$1.0 million, losses on change in fair value of financial assets of approximately HK$11.9 million, loss on disposal of property, plant and equipment of approximately HK$0.1 million and the net exchange losses of approximately HK$2.7 million (2019: losses on change in fair value of convertible bonds of HK$45.5 million, loss on change in fair value of financial assets of HK$8.9 million and the net exchange loss of HK$0.2 million).

Impairment losses, net of reversal

During the Year, the impairment losses, net of reversal increased by approximately HK$103.1 million or 49.6% to approximately HK$311.1 million (2019: HK$208.0 million) in which approximately HK$290.9 million and HK$20.2 million (2019: HK$205.9 million and HK$2.1 million) are in relation to financial information and technology services segment and construction segment services, respectively.

Details of impairment losses, net of reversal for the Year:

Impairment losses recognised on:	Non credit-impaired HK$ million	Credit-impaired HK$ million	Total HK$ million
Trade receivables	0.8	114.1	114.9
Retention receivables	5.5	2.9	8.4
Other receivables and deposits	5.4	74.5	79.9
Contract assets	(6.1)	–	(6.1)
Deposits to a credit service provider and a financial institution	27.3	9.2	36.5
Other receivables from a credit service provider	77.5	–	77.5
Total	110.4	200.7	311.1

During the Year, approximately HK$104.9 million (2019: HK$160.2 million) and HK$9.2 million (2019: nil) were recognised as credit-impaired trade receivables which related to certain customers in the PRC of the financial information and technology services and certain customers in Hong Kong of the construction segment. The impairment was determined based on the recoverability with reference to time overdue and repeated attempts made by the Group including but not limited to issuance of monthly demand letters, negotiations with the customers, and legal actions taken by the Group. The Directors are of the view that the outstanding trade receivables would not be recoverable and concluded that the trade receivable was credit-impaired.

During the Year, the Group has commenced legal action against one of the customers in relation to the financial information and technology services in order to recover the outstanding fees together with interest incurred in 2019 amounting to approximately RMB71.6 million. Up to the date of this report, the litigation is still in progress.

For non credit-impaired trade and retention receivables and contract assets, the Group has engaged an independent valuer to perform impairment assessment. The Group has applied the simplified approach in HKFRS to measure the loss allowance at lifetime ECL by using a provision matrix on a portfolio basis with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year. Subsequently, approximately HK$0.2 million (2019: HK$184.2 million) ECL of the trade and retention receivables and contract assets has been recognised during the Year.

The impairment losses of other receivables ("**ILOR**") and deposits were approximately HK$79.9 million (2019: nil). Out of the ILOR of HK$79.8 million, approximately HK$74.5 million has been recognised for credit-impaired other receivables, which related to the agents in the PRC (the "**Agents**"), all of which are independent third parties, and the remaining ILOR of approximately HK$5.3 million has been recognised for non credit-impaired other receivables, details of which are as follows:

(1) During the year of 2019, Shangrao Hongmiao had established business cooperation with several Agents and entered into similar business arrangements with each of the Agents. Under the arrangement, the Agents shall refer individual borrowers in the PRC with financial needs to Shangrao Hongmiao. Shangrao Hongmiao would then analyze the creditworthiness of such individual borrowers and refer such individual borrowers to credit service providers and financial institutions in the PRC (the "**Financial Service Providers**"). The Agents shall be entitled to a service fee ("**Service Fee**") payable by Shangrao Hongmiao based on the income of Shangrao Hongmiao for every successful referral;

(2) With a view to promoting and facilitating business development, Shangrao Hongmiao has reached separate agreements with each of the Agents to prepay the Service Fee (the "**Prepayment**"). The parties also agreed that Prepayment shall be used to set off against the Service Fee payable by Shangrao Hongmiao to the Agents. As at 31 December 2020, the Prepayment, having taken into account the set off arrangement and ECL measurement, amounted to approximately HK$0.8 million (2019: HK$17.2 million).

The ILOR of credit-impaired other receivables of HK$74.5 million was determined based on the recoverability of the Prepayment made to two particular Agents, (the "**Defaulting Agents**"), with reference to time overdue, market default rate, actions taken by the Group and economic situations. Having considered the following:

(1) the repeated attempts made by the Group for recovery of the Prepayment from the Defaulting Agents, including but not limited to issuance of monthly demand letters for collection of the Prepayment and various negotiations with their senior management on repayment plan and/or obtaining collateral;

(2) in October 2020, one of the Defaulting Agents engaged the Group as debt management service provider which provides consultancy services for managing the non-performing debts of the Defaulting Agent. The debt collected will be used to offset the Prepayment. Up to the date of this report, a tiny amount of the Prepayment which amounted to approximately HK$490,000 was recovered. It is expected that the debt collected for the next 12 months will be negligible compared with the Prepayment;

(3) as at 31 December 2020, over 180 days had elapsed since the amount was paid to the Defaulting Agent; and

(4) the weakened consumer spending/lending activities and recent economic downturn in the PRC caused by the novel coronavirus leading to financial deterioration of the Defaulting Agents, who were unable to carry out their business effectively,

The Directors are of the view that the outstanding Prepayment from the Defaulting Agents would not be recoverable and have concluded that the Prepayment was credit-impaired.

The ILOR for non credit-impaired other receivables and deposits of HK$5.4 million, were determined in accordance with the HKFRS 9's requirement on ECL.

The Group has applied the general approach in HKFRS 9 to measure the 12-month or lifetime ECL with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year.

References are made to the Company's 2019 annual report dated 11 May 2020 and supplemental announcement regarding the annual results for the year ended 31 December 2019 dated 17 July 2020, respectively, in relation to business cooperations with credit service provider(s). For the year ended 31 December 2019, the Company commenced business cooperations with Shenzhen Xingrui Information Technology Co., Ltd. (深圳興睿信息科技有限公司) (the "**Credit Service Provider**"), which is an independent third party. In 2019, the Group and the Credit Service Provider reached a business cooperation agreement (the "**Agreement**"), pursuant to which the Group shall refer borrowers who are individuals in the PRC with financial needs (the "**Borrowers**") to the Credit Service Provider, which has established business relationships with individuals or various banks and other licensed financial institutions in the PRC (the "**Lenders**") to distribute their financial products. In order to secure the due performance of the Group under the Agreement including the obligation to return to the Credit Service Provider the accrued interests collected from the Borrowers, the Credit Service Provider has requested the Group, and the Group has agreed, to advance to the Credit Service Provider a sum as security (the "**Security Sum**"), provided that the balance of the Security Sum after netting off the accrued interests received by the Group shall not at any time during the term of the Agreement exceed 5% of the total amount of loans of RMB4 billion that the Lenders intended to provide, i.e. RMB200 million.

The Security Sum is trade-related and arose purely from the course of the Company's business of financial information and technology services and is unsecured and non-interest bearing. During the Year, approximately HK$77.5 million (2019: HK$18.6 million) has been recognised for non credit-impaired on Security Sum based on impairment assessment by an independent valuer.

The Group has applied the general approach in HKFRS 9 to measure the 12-month or lifetime ECL with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year.

As at 31 December 2020, the Security Sum, having taken into account the set-off arrangement and ECL measurement, amounted to approximately HK$29.2 million (2019: HK$159.1 million). During the Year and up to the date of this report, the Group has taken the following measures in order to recover the Security Sum:

(1) issuance of monthly demand letters for collection;

(2) negotiate with their senior management on repayment plan and/or obtaining collateral; and

(3) instruct lawyers to commence legal proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Group paid deposits of approximately RMB35.7 million (equivalent to HK$39.9 million) and RMB8.8 million (equivalent to HK$9.8 million) to a credit service provider and a financial institution, respectively. Both parties are independent of the Group. The deposits were calculated based on a fixed percentage of the amounts of loans distributed to the borrowers through the credit service provider or the financial institution. The deposits will be released when the relevant loans are matured. The loan periods are within 3 months to 1 year. During the Year, approximately HK$9.2 million (2019: nil) has been recognised for credit-impaired deposit to a financial institution. The provision was made with reference to time overdue, market default rate, and actions taken by the Group. Having considered the following:

(1) the repeated attempts made by the Group for recovery including but not limited to issuance of monthly demand letters for collection, legal advice and various negotiations with the senior management on repayment plan and/or obtaining collateral; and

(2) over 365 days had elapsed as at 31 December 2020;

The Directors are of the view that the outstanding deposit to a financial institution would not be recoverable and have concluded that the deposit to a financial institution was credit impaired.

For non credit-impaired deposit to a credit service provider, the Group has engaged an independent valuer to perform impairment assessment and approximately HK$27.3 million (2019: HK$4.2 million) has been impaired in accordance with the ECL measurement as per the independent valuation report. The Group has applied the general approach in HKFRS 9 to measure the 12-month or lifetime ECL with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year.

As at 31 December 2020, deposit to a credit service provider, having taken into account the ECL measurement, amounted to approximately HK$10.3 million (2019: HK$37.9 million). During the Year and up to the date of this report, the Group has taken the following measures in order to recover the outstanding deposit:

(1) issuance of monthly demand letters for collection;

(2) negotiate with their senior management on repayment plan and/or obtaining collateral; and

(3) instruct lawyers to commence legal proceedings.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK$36.4 million or 34.0% from approximately HK$107.2 million for the year ended 31 December 2019 to approximately HK$70.8 million for the Year. Such decrease was primarily due to decline in depreciation of right-of-use assets and salaries and other allowances of approximately HK$9.5 million and HK$10.2 million, respectively, during the Year.

Finance Costs

Finance costs of the Group decreased by 36.7% from approximately HK$3.0 million for the year ended 31 December 2019 to approximately HK$1.9 million for the Year, as the interest paid for the bank overdrafts and bank borrowings declined for the Year.

Income Tax expense/(credit)

Due to the suspension of operation of certain subsidiaries in the PRC, the Group recorded a reversal of deferred tax credit of approximately HK$37.3 million (2019: deferred tax credit of HK$35.3 million) during the Year. As a result, the Group recorded income tax expenses of approximately HK$38.3 million during the Year (2019: HK$97.6 million).

Loss/Profit and Total Comprehensive Loss/Income for the Year Attributable to the Owners of the Company

Loss for the year attributable to the owners of the Company was approximately HK$245.0 million for the Year (2019: profit for the year attributable to the owners of the Company of HK$20.6 million).

It was primarily attributable to the net effect of (i) the decrease in revenue of financial information and technology services; and (ii) impairment losses recorded for the Year of approximately HK$311.1 million.

Total comprehensive loss for the year attributable to the owners of the Company was approximately HK$230.9 million (2019: total comprehensive loss for the year attributable to the owners of the company of HK$4.2 million).

It was primarily attributable to the net effect of (i) the decrease in revenue of financial information and technology services; (ii) impairment losses recorded for the Year of approximately HK$311.1 million; (iii) exchange loss on translation from functional currency to presentation currency; and (iv) the fair value loss on the change in fair value of equity instruments through other comprehensive income.

Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income ("**FVTOCI**") represents investments in the ordinary shares of an entity listed in Hong Kong which are held for long-term strategic purposes. FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve. The fair value of the equity is determined based on the quoted market price available on the Stock Exchange.

As at 31 December 2020, the fair value of equity instruments at FVTOCI was approximately HK$18.5 million (31 December 2019: HK$19.7 million) and loss recognised in other comprehensive income during the Year amounted to approximately HK$1.2 million (2019: HK$25.1 million). During the Year, the Company received dividends from FVTOCI amounting to approximately HK$0.5 million (2019: HK$0.3 million).

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent investment in the equity securities issued by a listed company in the PRC. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in profit or loss. The fair value of the equity securities is determined based on the quoted market price available on the National Equities Exchange and Quotations (the "**NEEQ**").

As mentioned in the Company's announcement dated 9 November 2020, on 17 June 2020 Datong Development Zone Sunshine Micro-credit Co., Ltd.（大同開發區陽光小額貸款股份有限公司）(the "**Target Company**") announced its intention to delist its shares from the NEEQ (the "**Delisting**") in order to improve its operational efficiency and reduce its listing maintenance costs. On 6 July 2020, an extraordinary general meeting (the "**EGM**") of the Target Company was held for the purpose of, among others, considering and approving the Delisting. At the EGM, the Delisting was approved. On 3 August 2020, the Target Company made an application (the "**Application**") for the Delisting with the National Equities Exchange and Quotations Co., Ltd (the "**NEEQ Company**"). The Application has been accepted by the NEEQ Company and is currently under review. Given that the liquidity and value of the equity interest in the Target Company may be severely affected upon the completion of Delisting, the Board is in the process of negotiating with the Target Company to repurchase the Company's equity interests in the Target Company (the "**Repurchase**") and to negotiate the terms of the Repurchase with the Target Company. The Company will make further announcement as and when appropriate to keep the Shareholders and potential investors informed of any material development in connection with the foregoing.

The Group has engaged an independent valuer to assess the fair value of financial assets at FVTPL. As at 31 December 2020, the fair value of financial asset at FVTPL was approximately HK$13.9 million (31 December 2019: HK$24.7 million) and loss from change in fair value of financial assets at FVTPL recognised in other gains and losses during the Year amounted to approximately HK$11.9 million (2019: HK$8.9 million). During the Year, the Company did not receive any dividend from FVTPL (2019: nil).

LIQUIDITY AND FINANCIAL RESOURCES

Net borrowing position

The total borrowings, including bank overdrafts and bank borrowings and amounts due to shareholders, as at 31 December 2020 decreased by approximately HK$49.2 million to approximately HK$18.9 million (31 December 2019: HK$68.1 million). The change in total borrowings was mainly attributable to decrease in bank overdrafts and bank borrowings of approximately HK$46.1 million during the Year. Bank balances and cash and pledged bank deposits as at 31 December 2020 dropped by approximately HK$157.8 million to approximately HK$49.6 million (31 December 2019: HK$207.4 million). Therefore, the net cash position of the Group declined to approximately HK$30.7 million (31 December 2019: HK$139.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Structure of bank overdrafts and bank borrowings and amounts due to shareholders

As at 31 December 2020, bank balances and cash and pledged bank deposits of the Group denominated in Renminbi and Hong Kong Dollars amounted to approximately HK$6.1 million and HK$49.6 million respectively (31 December 2019: HK$134.6 million and HK$72.8 million respectively).

As at 31 December 2020, the Group's bank overdrafts and bank borrowings and amounts due to shareholders amounted to approximately HK$6.5 million and HK$12.4 million respectively (31 December 2019: HK$52.6 million and HK$15.5 million respectively), all of which (31 December 2019: all) were denominated in Hong Kong Dollars. The effective interest rate as at year ended was 2.97% (2019: ranged from 5.39% to 5.69%). As at 31 December 2020, all bank overdrafts and bank borrowings and amounts due to shareholders were wholly repayable within one year (31 December 2019: all). As at 31 December 2020, all bank overdrafts and bank borrowings (31 December 2019: all) were charged with reference to the variable-rate and all amounts due to shareholders (31 December 2019: all) were interest-free.

Liquidity ratios and gearing ratios

The current ratio of the Group as at 31 December 2020 was 0.96 times (31 December 2019: 1.67 times). Such decrease was primarily attributable to impairment losses recognised of approximately HK$311.1 million during the Year.

The gearing ratio, calculated based on the total borrowings including bank borrowings and amounts due to shareholders divided by total equity at the end of the Relevant Period and multiplied by 100%, increased to approximately 816.3% as at 31 December 2020 from approximately 15.9% as at 31 December 2019. The gearing ratio increased as the total equity decreased during the Year.

CAPITAL STRUCTURE

Funding policy and treasury policy

The Group maintains a prudent funding and treasury policy of its overall business operations to minimise financial risks. Surplus funds are generally placed in short term deposits denominated primarily in Hong Kong Dollars or Renminbi. All future projects will be financed by cash flows from operations, banking facilities, or any forms of financing available in Hong Kong and the PRC.

The Group regularly monitors its liquidity requirements and its relationship with bankers to ensure that it maintains sufficient reserves of cash and an adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

As at 31 December 2020, the Company's issued share capital was HK$13,320,000 (31 December 2019: HK$13,320,000) and the number of issued ordinary shares was 1,332,000,000 (31 December 2019: 1,332,000,000) of HK$0.01 each.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

Most of the operations of the Group were carried out in the PRC and Hong Kong. The transactions were denominated in Renminbi and Hong Kong Dollars from which approximately 3.6% and 96.4% of the revenue were denominated in Renminbi and Hong Kong Dollars respectively (2019: 57.7% and 42.3%). The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations in Renminbi. The Group will continuously review the economic situation, development of the Group's business segments and its overall foreign exchange rate risk profile, and will consider appropriate hedging measures in the future as and when necessary. As of 31 December 2020, the Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives (31 December 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In the short run, the Group will continue to develop the contracting services in the construction segment in Hong Kong through leveraging its expertise and experience to provide a one-stop integrated solution in order to maintain its core competitive advantages in the segment. At the same time, the Group will keep on diversifying its business to the financial information and technology services segment to explore new markets with significant growth potential in the PRC and consider streamlining the existing Group structure by disposing its non-core business and/or financial assets.

In the long run, the Group will leverage its talents and technological capabilities to collaborate with different strategic alliances in different segments to provide value-added services to its customers in the PRC and Hong Kong.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 20 August 2020, FDB & Associates Limited, a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party to dispose of the entire issued share capital of FDB Facade Limited, an indirect wholly-owned subsidiary of the Company at a consideration of HK$5,196,000. FBD Facade Limited is principally engaged in the provision of design, supply and installation services for facade works and curtain wall work solutions. The consideration was determined after arm's length negotiations with reference to various factors, including but not limited to the unaudited net asset value of FDB Facade Limited as at 30 June 2020. Completion of the disposal is conditional upon, among other things, the purchaser being satisfied with the assets, liabilities, state, affairs and conditions of FDB Facade Limited and all necessary consents and authorizations having been obtained. Completion has taken place on 30 December 2020. Upon completion of the disposal, FDB Facade Limited had ceased to be a subsidiary of the Company.

On 20 August 2020, FDB & Associates Limited, a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party to dispose of fifty-one (51) ordinary shares of par value HK$1.00 in the share capital of Unicon Asia Limited, an indirect non-wholly-owned subsidiary of the Company, representing fifty one percent (51%) of its entire issued share capital and the amount owing as at the completion date by Unicon Asia Limited to FDB & Associates Limited in respect of a non-interest bearing loan repayable on demand at a consideration of HK$930,000. Unicon Asia Limited is principally engaged in the provision of supply and installation services of piling connectors on steel casting and the supply of drilling tools. The consideration was determined after arm's length negotiations with reference to various factors, including but not limited to the unaudited net asset value of Unicon Asia Limited as at 30 June 2020. Completion of the disposal is conditional upon, among other things, the purchaser being satisfied with the assets, liabilities, state, affairs and conditions of Unicon Asia Limited and all necessary consents and authorizations having been obtained. Completion has taken place on 30 November 2020. Upon completion of the disposal, Unicon Asia Limited had ceased to be a subsidiary of the Company.

The proceeds from the disposals will be used as general working capital of the Group and to ease the cash flow pressure of the contracting and consulting services.

As all of the applicable percentage ratios for each of the disposals are less than 5%, each of the disposals does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. Please refer to the Company's announcement dated 24 August 2020 for details.

Save as disclosed above and the section headed "Events after the Reporting Period", there was no significant event that took place subsequent to 31 December 2020 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPOSED ISSUE OF EQUITY SECURITIES

On 8 January 2020, the Company and Applied Development Holdings Limited (the "**Subscriber**") entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for the convertible bonds in an aggregate principal amount of up to US$8,000,000 with 6% coupon rate at the initial conversion price of HK$1.22 per conversion share with a term of 364 days (which can, at the option of the Company, be extended for a six-month period). Upon a full conversion of the convertible bonds at the initial conversion price (subject to adjustment), a maximum of 51,147,540 conversion shares will be issued, representing approximately 3.84% of the issued share capital of the Company as at the date of the subscription agreement. Assuming the conversion rights attaching to the convertible bonds are fully exercised at the initial conversion price, the net proceeds from the issue of the convertible bonds, after deducting related expenses, are estimated to be HK$61,700,000. The Directors intend to use the net proceeds from the issue of the convertible bonds (after deduction of the expenses payable in connection therewith) (i) as to approximately HK$56,000,000 in financing its potential future acquisition(s) and for business development; and (ii) as to approximately HK$5,700,000 as general working capital of the Group. The Company and the Subscriber mutually agreed to terminate the subscription agreement on 30 March 2020 and the subscription would not proceed. For details, please refer to the Company's announcements dated 8 January 2020 and 30 March 2020, respectively.

CHANGE OF COMPANY NAME

On 20 March 2020, the Board announced the proposed change of its registered English name from "Dafy Holdings Limited" to "Steering Holdings Limited" and its Chinese name from "達飛控股有限公司" to "旭通控股有限公司". On 9 April 2020, the special resolution for change of the Company's name was duly passed by the shareholders of the Company at its extraordinary general meeting. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 9 April 2020, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 28 April 2020.

Following the change of the Company's name, the stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "DAFY HOLDINGS" to "STEERING HLDGS" in English and from "達飛控股" to "旭通控股" in Chinese with effect from 11 May 2020. Further, the Company's logo has been changed and the Company's website has been changed to "www.steering.com.hk".

The Board considers that the change of Company name would better reflect the strategic business plan and future business development of the Group and believes that the change of Company name is in the best interests of the Company and its shareholders as a whole.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2020, the Group has pledged its bank deposit of approximately HK$25.6 million (31 December 2019: HK$36.3 million) to secure the guaranteed credit facilities for issuing surety bonds and general banking facilities amounting to approximately HK$41.2 million (31 December 2019: HK$108.8 million).

SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the Group entities to issue guarantees for performance of contract works in the form of surety bonds secured by pledged bank deposits. In addition, the Group provided a counter-indemnity to the financial institutions which have issued such surety bonds.

As at 31 December 2020, the outstanding amount of surety bonds of the Group was approximately HK$33.2 million (2019: HK$40.2 million).

Save as disclosed above, as at 31 December 2020, the Group did not have any other material contingent liabilities.

FUNDRAISINGS THROUGH ISSUE OF CONVERTIBLE BONDS

References are made to the Company's announcements dated 30 August 2019 and 17 December 2019, respectively, and 2019 annual report dated 11 May 2020 in relation to fund raisings through the issue of convertible bonds ("**Convertible Bonds**") in an aggregate principal amount of HK$80,000,000 at the initial price of HK$0.80 with a term of six months after the completion of the placing. The gross and net proceeds from the placing of the Convertible Bonds were HK$80,000,000 and approximately HK$77,600,000 respectively. The Directors applied the net proceeds (i) as to approximately HK$52.4 million for full repayment of the unsecured and interest-free loan payable to Gentle Soar; (ii) as to approximately HK$17.5 million in financing its potential future acquisitions and for business development; and (iii) as to approximately HK$7.7 million as general working capital of the Group.

The following table sets out the intended and actual use of the net proceeds from the issue of the Convertible Bonds as at 31 December 2020:

	Total net proceeds HK$'000	Utilised HK$'000	Unutilised HK$'000
Use of net proceeds from the placing of the Convertible Bonds			
— Repayment of the unsecured and interest-free loan payable to Gentle Soar	52,355	52,355	–
— Financing its potential future acquisitions and for business development	17,545	17,545	–
— General working capital	7,700	7,700	–
	77,600	77,600	–

PUBLISH ANNUAL REPORTS AND PRELIMINARY RESULTS UNDER RULE 13.46(1) AND 13.49(1) OF THE LISTING RULES

References are made to the Company's announcements dated 31 March 2020, 11 May 2020 and 15 May 2020, respectively, in relation to the publication of the annual report and annual results announcement of the Company. Due to the outbreak of COVID-19, the auditing process for the annual results of the Group for the year ended 31 December 2019 was not completed on schedule, and the Group was unable to issue its audited annual results announcement within three months after the end of the previous financial year and to publish its annual report within four months after the end of the previous financial year. Subsequently, the Group issued the unaudited results announcement and audited results announcement for the year ended 31 December 2019, on 31 March 2020 and 11 May 2020, respectively, and published its 2019 annual report on 15 May 2020.

CHANGE OF AUDITORS OF THE COMPANY

Reference is made to the Company's announcement dated 30 November 2020 in relation to the change of auditors of the Company. Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the auditor of the Company with effect from 30 November 2020 as the Company and Deloitte could not reach a consensus on the fee for the audit of the consolidated financial statements of the Group for the financial year ending 31 December 2020. HLB Hodgson Impey Cheng has been appointed as the new auditor of the Company to fill the casual vacancy following the resignation of Deloitte with effect from 30 November 2020 and to hold office until the conclusion of the next annual general meeting of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 207 employees (2019: 567 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$104.1 million for the Year (2019: HK$176.7 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

LITIGATION

In early 2020, Shangrao Hongmiao commenced litigation against Jinshang Consumer Finance Co. Ltd (晉商消費金融股份有限公司) at the Taiyuan Intermediate People's Court in an attempt to recover the outstanding service fees together with interest incurred in 2019 in the total sum of approximately RMB71.6 million. As at the date of this report, the litigation has yet been heard by the relevant court. Shangrao Hongmiao is part of the Shanghai Faye Yu Group which was disposed of by the Group on 30 March 2021 and is no longer a subsidiary of the Group since then.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Except for the disclosure below, the Board has complied with all applicable code provisions of the CG Code during the year ended 31 December 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2020.

BOARD OF DIRECTORS

Mr. Gao Yunhong was the chairman (the "**Chairman**") of the Board and re-designated to non-executive Director on 20 February 2020. Mr. Wang Jing was appointed as Chairman of the Board on 20 February 2020 and resigned as Chairman and executive Director on 26 November 2020.

As at the date of this report, the Board comprised six Directors, including two executive Directors, namely Ms. Feng Xuelian and Mr. Ng Kin Siu, one non-executive Director, namely Mr. Gao Yunhong and three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1. of the CG Code, the roles of the Chairman and the chief executive officer of the Company (the "**Chief Executive Officer**") should be separated and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer should be separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated.

During the year ended 31 December 2020, Mr. Ng Kin Siu was the Chief Executive Officer of the Group. The Chairman's main role is to lead the Board in discharging its powers and duties, while the Chief Executive Officer's main role is to lead the management of the Company for undertaking all the responsibilities delegated by the Board and managing the overall operation of the Group. During the Year, the Group was unable to fulfil the requirement of code provision A.2.1 since Mr. Wang Jing resigned as Chairman on 26 November 2020.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company and its shareholders as a whole. The Board has full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions being entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining a high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company.

The biographical details of the Directors and other senior management are set out in the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors arising out of corporate activities.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") for the year ended 31 December 2020 and up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

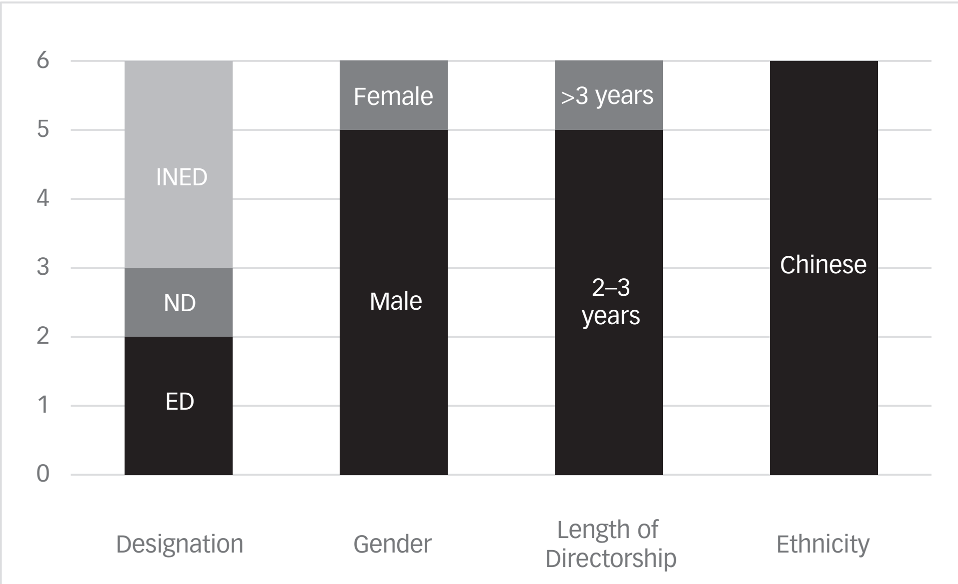
Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

Implementation and Monitorings

The Nomination Committee reviews the Board's composition from diversified perspectives, and monitors the implementation of the Board Diversity Policy at least annually. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2020.

Up to the date of this report, the composition of the Board is disclosed as below:



BOARD MEETING, GENERAL MEETING AND PROCEDURES

During the year ended 31 December 2020, fourteen Board meetings were held. The attendance record of each Director at the Board meetings is set out in the table below:

Name of Directors	Number of Board meetings attended/number of Board meetings which required attendance	
Executive Directors:		
Mr. Wang Jing	10/10	(Note 1)
Ms. Feng Xuelian	14/14	
Mr. Ng Kin Siu	8/14	
Non-executive Director:		
Mr. Gao Yunhong	14/14	(Note 2)
Independent non-executive Directors:		
Mr. Chan Yuk Sang	14/14	
Mr. Wan Chi Wai Anthony	12/14	
Mr. Lau Kwok Fai Patrick	14/14	

Note 1: Mr. Wang Jing was appointed as executive Director on 20 February 2020 and resigned on 26 November 2020

Note 2: Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020

During the year ended 31 December 2020, two general meetings of the Company were held. The attendance record of each Director at the general meetings is set out in the table below:

Name of Directors	Number of general meetings attended/number of general meetings which required attendance	
Executive Directors:		
Mr. Wang Jing	2/2	(Note 1)
Ms. Feng Xuelian	2/2	
Mr. Ng Kin Siu	1/2	
Non-executive Director:		
Mr. Gao Yunhong	2/2	(Note 2)
Independent non-executive Directors:		
Mr. Chan Yuk Sang	2/2	
Mr. Wan Chi Wai Anthony	2/2	
Mr. Lau Kwok Fai Patrick	2/2	

Note 1: Mr. Wang Jing was appointed as executive Director on 20 February 2020 and resigned on 26 November 2020

Note 2: Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements. The Board is also responsible for developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors and reviewing the Company's compliance with the code of conduct and disclosure in the corporate governance report. The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up for that purpose.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Independent non-executive Directors are appointed for a term of three years subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers these independent non-executive Directors to be independent.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Newly appointed Directors will be arranged a comprehensive, formal and tailored induction which includes the provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Company's structure, businesses, risk management and other governance practices and meetings with other fellow Directors so as to help the newly appointed Directors familiarize themselves with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Company.

To assist the Directors' continuing professional development, the Company recommends the Directors attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

According to the training record maintained by the Company, during the year ended 31 December 2020, all the Directors had participated in continuous professional development in the following manner:

Name of Directors	Type of training
Executive Directors:	
Mr. Wang Jing	(i)
Ms. Feng Xuelian	(i)
Mr. Ng Kin Siu	(i, ii)
Non-executive Director:	
Mr. Gao Yunhong	(i)
Independent non-executive Directors:	
Mr. Chan Yuk Sang	(i, ii)
Mr. Wan Chi Wai Anthony	(i, ii)
Mr. Lau Kwok Fai Patrick	(i, ii)

i. reading journals and newspaper updates on corporate governance and directors' duties and responsibility.

ii. attending training/seminars/conferences arranged by the professional firms/organisations.

Note: Mr. Wang Jing was appointed as executive Director on 20 February 2020 and resigned on 26 November 2020; Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the CG Code, which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick. The chairman of the Audit Committee is Mr. Lau Kwok Fai Patrick, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee is mainly responsible for the following:

(a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions regarding its resignation or dismissal;

(b) to review and to monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination where more than one audit firm is involved;

(c) to monitor the integrity of the Company's annual report, interim financial reports and quarterly reports, if any, before submission to the Board, and to focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(d) to oversee the Company's financial reporting system, risk management and internal control systems, including:

  (i) reviewing the Company's financial controls, accounting policies and the risk management and internal control systems;

  (ii) discussing the risk management and internal control systems with management to ensure that management has performed its duty to maintain effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

  (iii) where an internal audit function exists, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

  (iv) reviewing the external auditors' management letter and management's response; and

  (v) ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letter.

During the year ended 31 December 2020, the Audit Committee held four meetings to, among others, consider and approve the following:

(a) to review the Group's consolidated financial results for the year ended 31 December 2019 and the six months ended 30 June 2020 before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(b) to discuss the effectiveness of the internal control system throughout the Group, including financial, operational and compliance controls, and risk management;

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters; and

(d) to review and recommend the appointment of the auditors and approve the remuneration and terms of engagement.

The individual attendance record of each member of the Audit Committee is as follows:

Name of Directors	Number of meetings attended/number of meetings which required attendance
Mr. Lau Kwok Fai Patrick *(Chairman)*	4/4
Mr. Chan Yuk Sang	4/4
Mr. Wan Chi Wai Anthony	4/4

The Group's audited annual results in respect of the year ended 31 December 2020 have been reviewed by existing members of the Audit Committee.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2020.

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of one non-executive Director, namely, Mr. Gao Yunhong, and two independent non-executive Directors, namely, Mr. Chan Yuk Sang and Mr. Wan Chi Wai Anthony, with Mr. Wan Chi Wai Anthony as the chairman. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The main roles and functions of the Remuneration Committee include the following:

(a) to establish a formal and transparent procedure for developing remuneration policy;

(b) to recommend to the Board the policy and structure for the remuneration of Directors and senior management whilst ensuring no Director or any of his/her associates is involved in deciding his/her own remuneration;

(c) to determine the remuneration of Directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc.). The chairman and/or the managing Director shall be consulted respectively about their proposals relating to the remuneration of the managing Director and/or senior management, as the case may be;

(d) to review and to approve the compensation arrangements in connection with any loss or termination of office or appointment, or dismissal or removal for misconduct to executive Directors and senior management which shall be consistent with contractual terms and fair and not excessive;

(e) to determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(f) to consider the annual performance bonus for executive Directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to corporate goals and objectives resolved by the Board, and make recommendations to the Board.

During the year ended 31 December 2020, three Remuneration Committee meetings were held, at which the Remuneration Committee (i) approved the terms of executive Directors' service contracts; and (ii) made recommendations to the Board regarding their salary for the year ended 31 December 2020.

The individual attendance record of each member of the Remuneration Committee is as follows:

Name of Directors	Number of meetings attended/number of meetings which required attendance
Mr. Wan Chi Wai Anthony *(Chairman)*	3/3
Mr. Gao Yunhong	3/3
Mr. Chan Yuk Sang	3/3

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and the recommendations of the Remuneration Committee.

Details of the Directors' emolument are set out in note 11 to the consolidated financial statements.

Details of the annual remuneration of members of the senior management by band for the year ended 31 December 2020 are as follows:

	Number of employees
HK$1,000,001 to HK$1,500,000	2
HK$2,000,001 to HK$2,500,000	1

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference which are in compliance with the code provision A.5 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

During the Year, the Nomination Committee consisted of two executive Directors, namely, Mr. Wang Jing and Ms. Feng Xuelian, and three independent non-executive Directors, namely, Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick, with Mr. Wang Jing as the chairman. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company. Mr. Wang Jing resigned as Chairman and member of the Nomination Committee on 26 November 2020. As of the date of this report, the Nomination Committee consists of one executive Director, namely, Ms. Feng Xuelian, and three independent non-executive Directors, namely, Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation to the following and assessing their suitability:

— Reputation for integrity;

— Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

— Merits and contribution that the proposed candidate will bring to the Board;

— In the case of the appointment of independent non-executive Directors, compliance with the independence requirement as prescribed under the Listing Rules; and

— Ability to devote sufficient time and attention to the Company's business.

During the year ended 31 December 2020, three Nomination Committee meetings were held, at which the Nomination Committee (i) reviewed the structure, size and diversity of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) reviewed the Board Diversity Policy; and (iv) recommended to the Board for consideration the appointment of a new executive Director and the re-election of all the retiring Directors at the annual general meeting held on 16 June 2020.

The individual attendance record of each member of the Nomination Committee is as follows:

Name of Directors	Number of meetings attended/number of meetings which required attendance	
Mr. Wang Jing *(Chairman)*	1/1	(Note 1)
Mr. Gao Yunhong	1/1	(Note 2)
Ms. Feng Xuelian	3/3	
Mr. Chan Yuk Sang	3/3	
Mr. Wan Chi Wai Anthony	3/3	
Mr. Lau Kwok Fai Patrick	3/3	

Note 1: Mr. Wang Jing was appointed as executive Director on 20 February 2020 and resigned on 26 November 2020

Note 2: Mr. Gao Yunhong was re-designated from executive Director to non-executive Director on 20 February 2020

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 December 2020, as disclosed in note 3 to the consolidated financial statements on page 98 of this report, the Board has assessed the validity of the going concern assumption.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders of the Company. The statements by the external auditor, HLB Hodgson Impey Cheng, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report on pages 85 to 88 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has through the Audit Committee conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system for the year ended 31 December 2020. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted at least annually. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, the maintenance of proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development of the Group's business. Management is responsible for establishing, implementing, reviewing and evaluating the soundness and effectiveness of the internal control system underpinning the risk management framework. The management has formulated the risk management and control framework. All employees are committed to implementing the risk management framework into daily operation.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness.

During the Year, the Board has engaged an external independent internal control expert to conduct a review on the enterprise risk management and internal control systems of the Group which has covered major and material controls in areas of financial, operations, compliance and risk management of the Company. Review reports of the deficiencies and recommendations on enterprise risk management and internal control systems have been submitted to the Audit Committee and the Board during the Year.

CORPORATE GOVERNANCE REPORT

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group in accordance with acceptable safety levels and to achieve the Group's strategic objectives. The Group has adopted a three line risk management approach to identify, analyse, evaluate, mitigate and handle risks. At the first line of defence, department staff/frontline employees who must understand their roles and responsibilities are responsible for identifying, assessing and monitoring risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the Audit Committee with the advice and opinions from an external professional party (such as the external auditor) and the internal audit function, would conduct a review of the Company's risk management and internal control systems on an annual basis and ensure that the first and second lines of defence are performed effectively. The Board has conducted a review, and is satisfied with the effectiveness and adequacy, of the risk management and internal control systems for the year ended 31 December 2020.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purposes of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Company has in place a policy on handling and dissemination of inside information (the "**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information. This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 December 2020, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group is as follows:

	2020 HK$'000	**2019** HK$'000
Audit services	2,280	2,300
Review of interim report	–	760
Others	479	168
	2,759	3,228

COMPANY SECRETARY

Mr. Lee Chi Yung ("**Mr. Lee**") was appointed as the company secretary of the Company on 18 May 2020. Mr. Lee has taken no less than 15 hours of relevant professional training for the year ended 31 December 2020. The biographical details of Mr. Lee are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for the shareholders' consideration and voting. All resolutions put forward at a shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant shareholders' meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an extraordinary general meeting ("**EGM**") are subject to the Articles (as amended from time to time), and the applicable legislations and regulation, in particular the Listing Rules (as amended from time to time):

(a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right to vote at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition;

(b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Room 3601, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary;

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted at the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statements submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) the Requisition will be verified with the Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) if within 21 days of the deposit of the verified Requisition and sufficient money to meet the Company's expenses for the said purposes, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such EGM shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Act (2021 Revision) of the of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition request to convene an EGM following the procedures set out above.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there be any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Room 3601, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its shareholders and investors. These include answering questions through the annual general meeting, the publication of annual and interim reports, notices, announcements and circulars, the Company's website and meetings with investors and shareholders.

News updates of the Group's business development and operation are also available on the Company's website at www.steering.com.hk. During the year ended 31 December 2020, there had been no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the Environmental, Social and Governance ("**ESG**") report prepared by Steering Holdings Limited (the "**Company**"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules for the year ended 31 December 2020 (the "**Reporting Period**").

The Company and its subsidiaries (collectively the "**Group**") adhere to environmental, social and governance values and are committed to creating sustainable values while conducting the business. This ESG report aims to provide an annual update on our sustainability performance in compliance with regulations, policies and guidelines over the past year on various sustainable development issues.

This ESG report covers the Group's overall environmental and social performances in its principal business operations of the construction segment as well as the financial information and technology services segment. The services involved in the construction segment include contracting services for alteration and addition works, maintenance, specialist works and new development; and consulting services for alteration and addition works, new development, licensing and building services for buildings in Hong Kong. For the financial information and technology services segment, the Group provides a range of high integrity and user friendly platforms with diverse products in the financial related service industry in the People's Republic of China (the "**PRC**").

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group values input and feedback from its stakeholders as the Group aims to create long-term value for them. To begin the value creation process, the Group identifies different stakeholders, such as employees, customers, investors, suppliers and contractors, and the community. They have been involved in various communication channels, including the Company's website, annual general meetings, annual reports and interim reports, staff meetings, customers and suppliers meetings to share their views regarding the Group's operations and behavior.

As a result, these communication channels not only can help the Group search for opportunities for its future business direction, but also fulfill its responsibilities and commitment to the community. By gauging the mutual opinion of the stakeholders, the Group can receive important feedback and input for the materiality assessment.

MATERIALITY ASSESSMENT

A materiality assessment was conducted by evaluating ESG related topics internally and externally. With the instruction of the external ESG reporting consultant, we have selected our material ESG topics in view of our stakeholders' opinions, industry report, market condition and ESG related risks. To perform the internal materiality assessment, our management and the board of the Group assessed the relationship between the degree of impact and degree of control for ESG related topics. The Group then further selected material ESG related topics based on continuous discussions with the stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has considered the importance of ESG related topics in arriving at our material ESG related topics. The result of the materiality assessment is listed below:

Environmental	Social
Air and greenhouse gas emission	Employment and Training
Resources consumption	Employee welfare
Waste Management	Occupational health and safety
	Anti-corruption
	Labor laws and standard
	Supply chain management

STAKEHOLDERS' FEEDBACK

The Company welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via telephone (+852 3905 3935) or by email (info@steering.com.hk).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

The Board of the Group understands that it has a responsibility to manage ESG-related risks through the Group's ESG policies and guidelines. The Board continues to develop, formulate, monitor and assess the Group's ESG policies, leading relevant staff to participate in ESG initiatives in order to ensure ESG objectives can be achieved. With a clear direction and culture for the continuous development of ESG, the Group strives to implement the ESG policies into different aspects of the business practices, integrate initiatives into strategic plans, deliver ESG sustainability initiatives, contribute to community events and connect the stakeholders.

At Steering Holdings Limited, ESG is viewed as an essential principle that creates sustainable value for all our stakeholders. By embracing opportunities and managing risks derived from environmental, social, and economic developments, the Group's ESG policies can be enhanced and developed for the long-term value for all stakeholders. To further enhance value for the stakeholders, ESG data will be analyzed annually with key performance indicators. The Board and top management may revise and update certain ESG related policies based on the ESG result. With the improvement of the ESG related policies, the Group can better align with its goals, objectives and stakeholders' expectations in the long-run.

MATERIALITY ASSESSMENT

A. Environmental

As a construction specialist, we are aware of how our business activities would affect the environment. On the other hand, we understand how to minimise our impact on the environment with our construction knowledge and skills. We believe that environmental protection would bring significant impact to the environment. As such the Group is committed to continually improving its environmental performance by implementing the following initiatives on environmental protection for the well-being of communities:

- To use ultra-low sulphur diesel for plants and generators;
- To adopt non-road mobile machinery approved with Environmental Protection Department's labels;
- To use air compressors and hand-held percussive breakers with noise emission labels;
- To utilize trip-ticket systems to record disposal of construction waste to disposal facilities; and
- To prohibit open burning in all sites.

Our construction works are subject to certain environmental requirements pursuant to the laws in Hong Kong. Certain laws and regulations that have a significant impact on the Group are as follows:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong);
- Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong);
- Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong);
- Dumping at Sea Ordinance (Cap. 466 of the Laws of Hong Kong); and
- Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong).

During the year ended 31 December 2020, the Group exercised stringent controls to ensure the construction sites and engaged parties have fully complied with the relevant environmental laws and regulations. As a result, the Group did not identify any material non-compliance related to emission that resulted in prosecution, conviction or penalty being brought against us in environment aspects.

A1 *Emissions*

Environmental protection has always been one of the fundamental values of the Group. In the course of achieving the Group's business objectives and creating sustainable value for its stakeholders, the Group wants to achieve a balance between its operation needs and the protection of the environment by using efficient resources and minimizing pollutants in business operation.

Air Emission

The Group recognizes its responsibility to contribute towards environmentally sustainable development through complying with the Air Pollution Control Ordinance. Air Pollution Control Ordinance gives the Group a principal guideline in Hong Kong in terms of air quality, required license control area, responsible entity and consequence. Air Pollution Control Ordinance states that the owner of any premises used for construction shall use the best practicable means for preventing the emission of noxious or offensive emission from the premises, whether directly or indirectly. Following the Air Pollution Control Ordinance, the Group is able to identify, evaluate and minimize the environment impact of construction activities. The Group also assigns employees to carry out inspection on the construction sites as air pollutants may be difficult to observe and require stringent monitoring.

Furthermore, the Group promotes environmentally friendly practices with employees by implementing the following initiatives:

- Complying with environmental legislation and other applicable regulations;
- Using environmentally clean energy efficiently; and
- Reducing waste by reusing the materials.

The KPIs for air emission and air pollutants emission for the year ended 31 December 2020 are set out below.

Air Emission Data

Air Pollutants	Unit	Construction and Consultancy		Financial Information and Technology Services		Total Emission	
		2020	2019	**2020**	2019	**2020**	2019
Nitrogen Oxides (NO_x)	Kg	**11.49**	12.06	**–**	–	**11.49**	12.06
Sulphur Oxides (SO_x)	Kg	**0.21**	0.26	**–**	–	**0.21**	0.26
Particular Matter (PM)	Kg	**0.85**	0.89	**–**	–	**0.85**	0.89

The main sources of air emissions come from the usage of motor vehicles and consumption of electricity. Air emissions come from the fuel combustion of our motor vehicles. During the Reporting Period, our business activities have reduced due to the COVID-19 pandemic and there were less projects on hand. As such, the usage of car traveling has declined for the projects in 2020. In this connection, the fuel consumption and mileage incurred were decreased. The Group's emissions of nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and particulate matter ("**PM**") have decreased by 4.7%, 19.2% and 4.5% respectively.

Greenhouse Gas Emissions

The Group reduces its greenhouse gas emission by lowering its energy consumption. During the Reporting Period, our greenhouse gas emission mainly came from business travel and purchased electricity. The details of our greenhouse gas emission during the Reporting Period are as follows:

Air Pollutants	Unit	Construction and Consultancy		Financial Information and Technology Services		Total Emission	
		2020	2019	**2020**	2019	**2020**	2019
Scope 1							
Direct Emission[1]	tCO_2e	**38**	53	**–**	–	**38**	53
Scope 2							
Indirect Emission[2]	tCO_2e	**104**	174	**10**	135	**114**	309
Scope 3							
Other Indirect Emission[3]	tCO_2e	**24**	35	**5**	33	**29**	68
Total GHG Emission	tCO_2e	**166**	262	**15**	168	**181**	430

Note: Scope 1 — Direct emissions from operations that are owned or controlled by the Group;
Scope 2 — "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group; and
Scope 3 — All other indirect emissions that occur outside the Group, including both upstream and downstream emissions.

Fuel consumption is directly related to carbon emissions and we continuously monitor the use of vehicles. During the Reporting Period, employees often require travelling between site offices and construction sites. As a result, relevant emissions generated from vehicles are largely dependent on the distance between the two locations. For the financial information and technology services, the greenhouse gas emission mainly comes from indirect emission since the office premises require electricity for daily operation. Our vehicles are required to undergo regular checks and maintenance in order to reduce pollutant emissions.

There were 166 tonnes of carbon dioxide equivalent ("**tCO_2e**") greenhouse gases (mainly comprising of carbon dioxide, methane and nitrous oxide) emitted from the Group's business operation in the Reporting Period. The annual emission has dropped around 37% and 91% in the construction segment and financial information and technology services segment respectively when compared to the last Reporting Period.

Waste Management

The Group has complied with the Waste Disposal Ordinance, which is a principal legislation controlling the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes in Hong Kong. The Waste Disposal Ordinance provides a clear message on illegal behavior of the depositing of waste, responsible entity, restriction of waste disposal, license requirement and penalties. The Group is aware of the impact of inadequate waste handling which could cause inconvenience, hygiene problems and danger to the community. As such, the Group is committed to dispose waste from construction sites legally and properly.

In order to reduce the negative impact of waste, the Group has formulated several waste management measures and recognized the importance of waste reduction. For non-hazardous waste, the group has implemented its waste management plans to ensure that all waste generated during the construction phase is managed on site, transported and disposed of in environment-friendly ways. Besides, the Group has adopted a trip-ticket system for the disposal of construction waste to disposal facilities. It facilitates the recording of waste as it arrives at the landfill or public filling area in order to minimize the potential of cross-contamination with other waste. To facilitate proper disposal management, waste sorting is carried out on site to separate re-usable and recyclable materials, hazardous waste and non-hazardous waste.

In the offices, the Group encourages the staff to consider environmentally friendly practices in paper waste management:

- Using double-sided printing and copying;
- Reusing the paper; and
- Using electronics documents and files for storage.

During the Reporting Period, the Group did not generate any hazardous waste.

Waste Disposal	Unit	Construction and Consultancy 2020	2019	Financial Information and Technology Services 2020	2019	Total Emission 2020	2019
Hazardous Wastes Produced							
N/A	tonnes	**–**	–	**–**	–	**–**	–
Non-hazardous Wastes Produced							
Construction Sites:							
Inert Material							
Construction and Demolition (C&D) Waste							
C&D Waste (Fill Bank)	tonnes	**4,351**	4,416	**–**	–	**4,351**	4,416
C&D Waste (Sorting Facility)	tonnes	**2,482**	1,458	**–**	–	**2,482**	1,458
C&D Waste (Landfill)	tonnes	**1,292**	1,579	**–**	–	**1,292**	1,579
Office:							
Paper	tonnes	**5**	7	**0.02**	0.05	**5.02**	7.05
Total	tonnes	**8,130**	7,460	**0.02**	0.05	**8,130.02**	7,460.05

The Group believes that building a more sustainable environment is a main business direction. To remind staff to "save paper, energy and other resources", the Group sent out this message through notices and email. Having implemented the initiatives and actions, the Group continues to strive the best environment for the communities. As a result, during the Reporting Period, only the non-hazardous waste of C&D Waste (Sorting Facility) has increased by around 1,000 tonnes while the non-hazardous waste of C&D Waste (Fill Bank), C&D Waste (Landfill) and paper have decreased slightly.

A2 Use of Resources

With the challenges of environmental protection, the Group strives to minimize the energy consumed in its operations by identifying and imposing measures to increase energy and resource efficiency.

The resources used by the Group are principally attributed to electricity and water consumed in its daily operation. With the aim to better manage its use of resources, the Group makes great effort to improve and develop the way to build in a resource efficient manner. Before the start of each project, the use of resources is projected within a specified range. During each project, regular assessments of the use of resources are performed so the use of resources is controlled within the limit.

The Group motives the following resources saving initiatives to offset the negative impact on climate change and environment:

- Encouraging employees to switch off the lights and electronic appliances before they leave the office;
- Encouraging employees to set the temperature of the offices' air conditioners to 25.5 Degree Celsius;
- Encouraging employees to use double-sided printing instead of single-sided printing;
- Encouraging and arranging the surplus materials on the construction sites to be re-used in other construction sites instead of dumping; and
- Encouraging employees to recycle the usage of water.

In the year ended 31 December 2020, there was no water fetching problem in our daily business.

Use of packaging materials is not relevant to the Group's businesses. Below sets out the KPIs for electricity and water consumption.

Types of Resources	Unit	2020	2019
Electricity			
Total Electricity Consumption	(kWh)	**157,846**	495,711
Electricity Intensity	(kWh/Staff/Day)	**2.177**	2.403
Water			
Total Water Consumption	(m^3)	**144.2**	2,807.9
Water Consumption Intensity	(m^3/Staff/Day)	**0.060**	0.042

During the Reporting Period, the Group consumed 157,846 kWh electricity. In the Group, the usage of energy and water largely depends on the site location and office daily operation.

Amid the coronavirus pandemic outbreak during the Reporting Period, certain offices of the Group were temporarily closed and certain projects of the Group were being delayed. As such, decrease in the usage of natural resources (especially for electricity consumption) was observed. We must identify and record site environmental aspects in operation, storage, waste management, distribution and disposal, etc. in the Group's register of environmental aspects for monitoring and mitigating our environmental impact.

A3 The Environment and Natural Resources

The business activities of the Group have no significant impact on environment and natural resources. Being one of the stakeholders of the environment, the Group still takes environmental issues into due consideration when marking business decisions and actively minimizing the impact of our business operations on the environment. The Group has developed the Environmental Management System which has been certified to comply with ISO 14001. All employees are reminded to adhere to the use of natural resources in environmentally friendly ways.

A4 Climate Change

During the Reporting Period, the Group has not been significantly impacted by climate-related issues while the Group understands climate-related issues are harmful to the environment and have been rigorously regulated by the United Nations' Framework Convention. As a result, the Group minimized its greenhouse gases to mitigate climate change. Greenhouse gas emissions from the Group were primarily due to the consumption of electricity and water in its business operations. The Group continues to reduce its greenhouse gas emission by lowering its energy consumption and regularly reviews the possible threats from climate-related impact on the Group's business.

B. Social

We consider our staff as valuable wealth of the Group and the foundation for the development of the Group. We also believe in giving back to the communities in which we operate. The following is our policy on social aspects:

- To provide a supportive and peaceful working environment by upholding employment practices that treat our staff fairly and equally;

- To maintain the rights and interests of our staff through strict compliance with the applicable laws and regulations;

- To offer our staff opportunities for training and development;

- To ensure a healthy and safe workplace and promote efficient interaction within the Group;

- To safeguard a high standard of integrity, transparency and accountability in our operations; and

- To support local initiatives that create sustainable and lasting benefits to the community through corporate philanthropy and mobilizing our staff to participate in volunteer work.

B1 Employment and Labor Practices

The Group puts significant emphasis on people who are regarded as the Group's most valuable assets and the key element of its business development. Hence, the Group has established clear policies to attract and retain talents through treating the staff fairly and equally, aiming at reinforcing satisfaction, commitment and motivation of human capital. The Group recognizes the role of human resources policies in enhancing the quality and stability of our workforce. Human resources policies and procedures established in the Group are applicable to all staff.

To ensure a fair reward system, the Group offers competitive remuneration and welfare packages for the right talents and their salary and opportunities are adjusted on the basis of performance, qualification, relevant working experience, attitude, job knowledge, job responsibilities, punctuality, position and the Group's operation. In the recruitment process, the Group holds the beliefs in equality and anti-discrimination to deliver equal opportunity for the candidates.

The Group firmly upholds the principle of treating each employee fairly and consistently in all matters and enforces its employment policies in accordance with the regulations of the Employment Ordinance in Hong Kong, the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China in the PRC. The Group has complied with all relevant laws and regulation for the year ended 31 December 2020.

Employee Benefits and Welfare

Throughout the Group' operation, the Group strives to provide a fair and safe working environment in which the staff can build up their career and foster their personal development. In accordance with a reward and performance approach, high performers are rewarded with a higher bonus and salary increment. Meanwhile, their performance reviews are conducted regularly by department heads. Further discussion with the top management and human resources department regarding the performance may be required.

The Group sets appropriate and regular working hours and rest breaks for all staff members in their respective employment environment. The standard working hours are around 8 to 10 hours per day and 40 to 50 hours per week. The Group also provides paid annual leave and public holidays in addition to statutory holidays set by the government. With regard to the legal requirements for retirement funds, the Mandatory Provident Fund ("**MPF**") scheme is adopted for all the employees in Hong Kong. The Group is obligated to contribute 5% of all salary levels as the retirement fund of the employees in the MPF scheme. For the welfare of the employees in the PRC, the Group has participated in the Social Insurance Policy, providing basic pension insurance, medical insurance, work-related injury, unemployment and maternity insurances.

Promotion and Dismissal

In accordance with the Group's policies and procedures, setting internal promotions can boost the motivation of the employees. Whenever possible, talented employees will first be considered before posting job vacancies in public. Employees are also welcome to discuss their career development with their respective department head or the Human Resources Department.

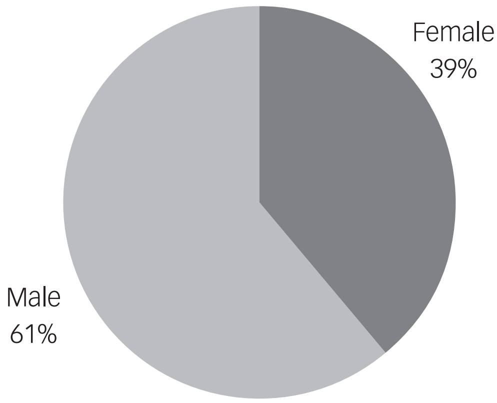
An employee who wishes to resign should tender notice in writing to the Group as stipulated in his or her letter of appointment. Under the resignation process, the Group will carefully settle the remaining salary and holidays to make sure a fair treatment is enacted. The Group will always respect an employee's resignation decision.

Total Employees and Turnover

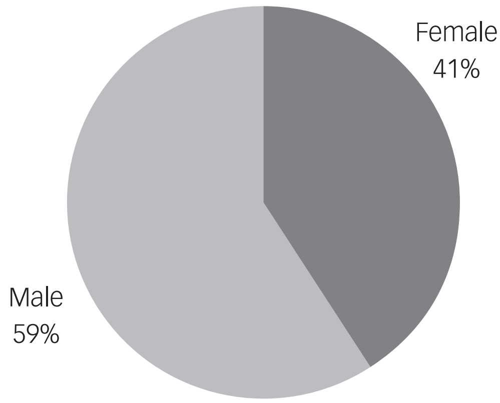
As of 31 December 2020, the Group employed 207 staff in total. As an illustration, the workforce statistic by employment category, gender, are illustrated in pie graphs while the workforce statistic by age group and geographical region are disclosed as bar charts:

Gender

EMPLOYEE BREAKDOWN BY GENDER IN 2020

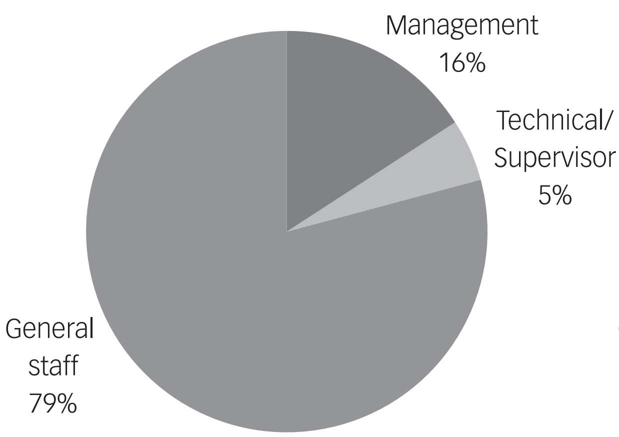


EMPLOYEE BREAKDOWN BY GENDER IN 2019

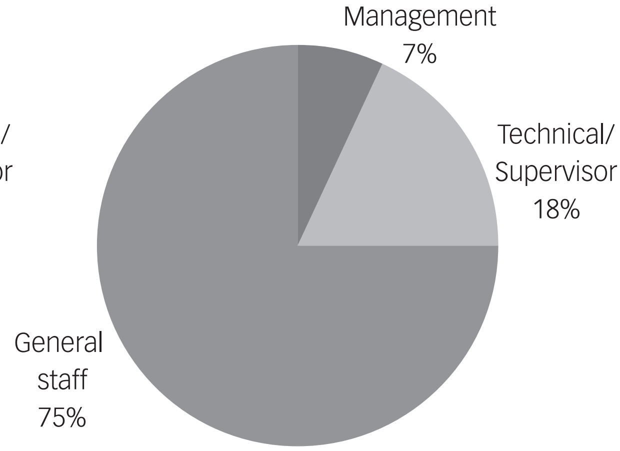


Employment Category

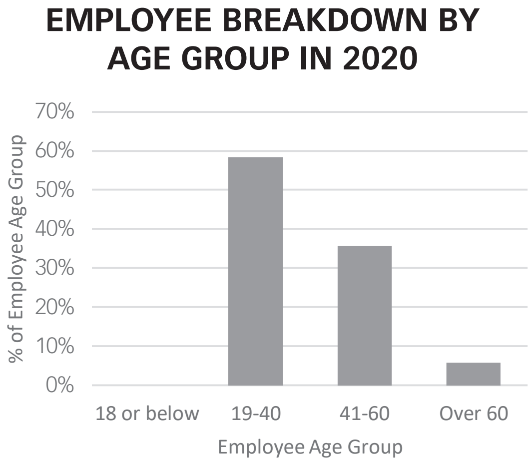
EMPLOYEE BREAKDOWN BY EMPLOYMENT CATEGORY IN 2020

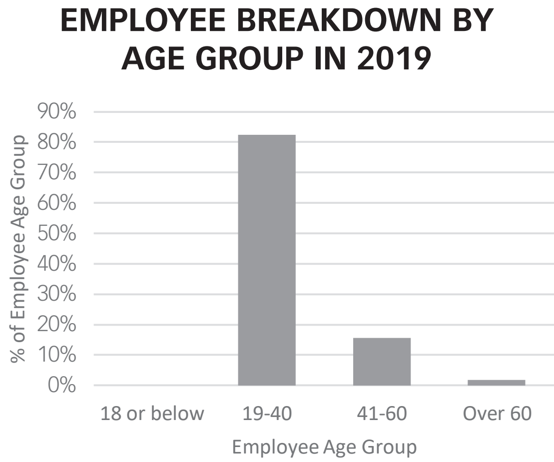


EMPLOYEE BREAKDOWN BY EMPLOYMENT CATEGORY IN 2019

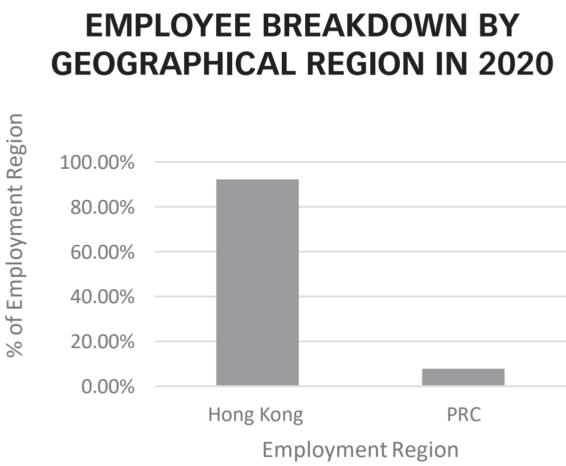


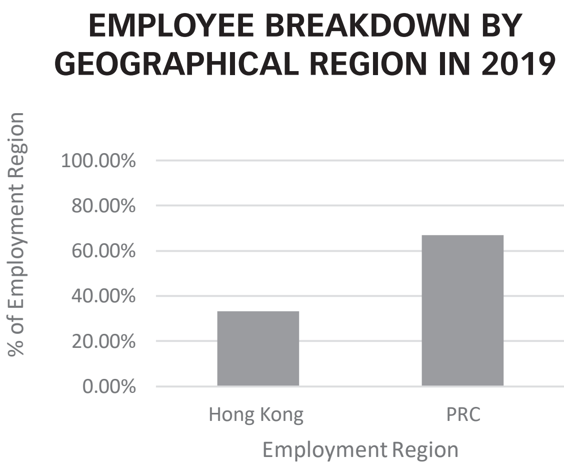
Age Distribution





Geographical Distribution

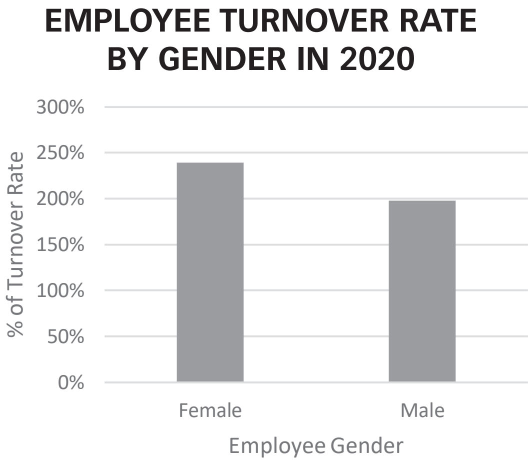


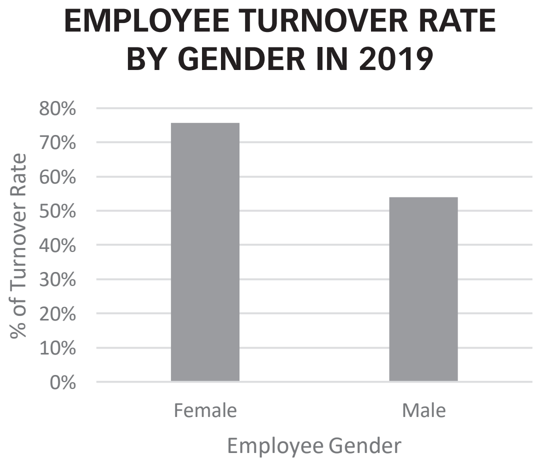


More than half of the Group's workface are male and over 75% of its staff is general staff. Over 50% of the Group's staff is aged between 19 to 40. All employees are remunerated fairly, regardless of gender, age or nationality.

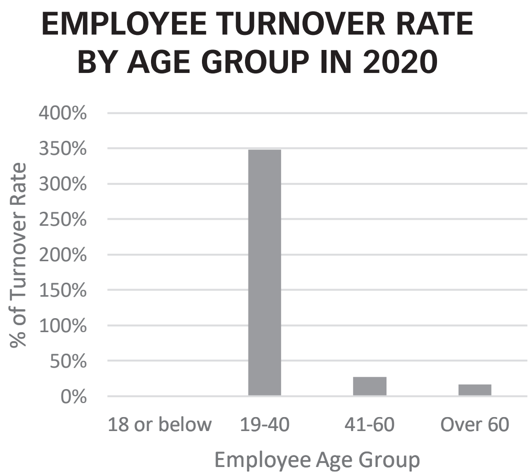
The overall turnover rate is 214%. The turnover rate has increased its significantly since the financial information and technology services segment has substantially reduced the operating size due to the economic impact of COVID-19. The annual turnover rates categorized by different gender, age group and geographical region in the Reporting Period are as follows:

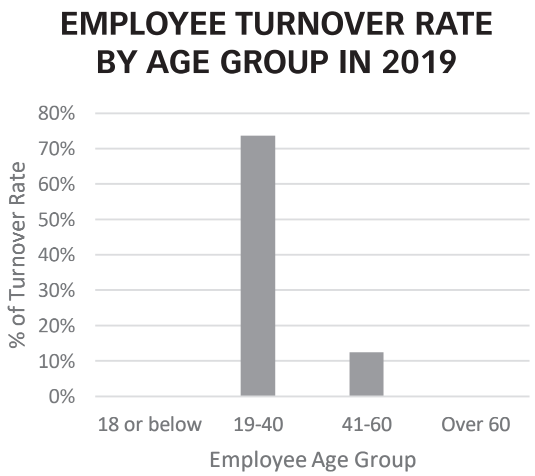
Gender



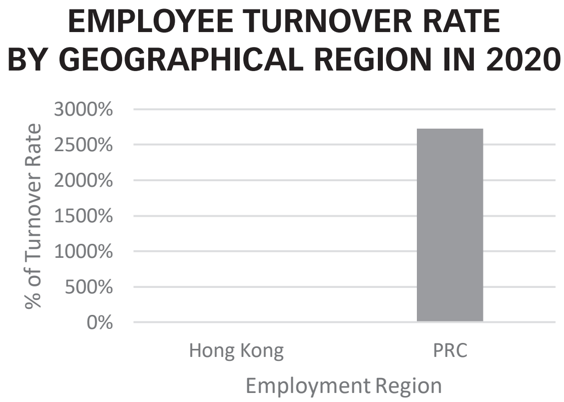


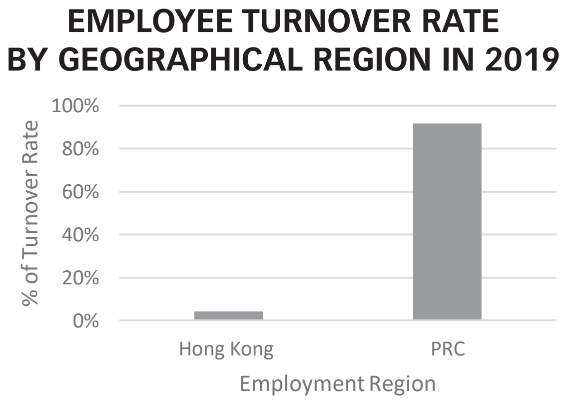
Age Distribution





Geographical Distribution





B2 Health and Safety

Due to the business nature of the Group, the Group places the highest priority on securing occupational safety and health of all the employees by maintaining a healthy, safe and quality workplace. To achieve a healthy and safe workplace, the Group strives to promote employees' awareness of occupational threats. By understanding the potential hazards in workplace, employees can take preventive measures to ensure a healthy and safe environment.

During the COVID-19 pandemic, the health and safety measures on our workplace environment and wellness have been implemented harder than ever before. The Group have taken the following precautionary measures at our offices to minimize the risk of approaching and spreading the coronavirus:

- Wearing a surgical mask in the office;
- Social distancing is encouraged;
- More frequent cleaning and disinfecting;
- Measuring body temperature for employees; and
- Minimizing face to face meetings.

Safety Audit

Safety audits were conducted periodically in the office (corporate level) and on site (project) according to the statutory requirements of the Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF of the Laws of Hong Kong), to check the efficiency, effectiveness and reliability of the safety management and to set up a plan for further improvement actions.

OHSAS 18001

The Occupational Safety Management System was developed. The system not only complies with the statutory requirements, it has also been certified to comply with an international standard of OHSAS 18001 since 2016. This standard is implemented to all projects and is continuously undergoing improvement with latest international trends.

Summary of Health and Safety Performance Indicators

	2020	2019
Work-related fatalities (Case)	**–**	–
Lost days due to work injury (Day)	**842**	1,657

During the year ended 31 December 2020, the Group did not identify any material non-compliance cases relating to health and safety.

The Group has complied with relevant occupational safety and health legislation, and regulations including the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), the Occupational Safety and Health Ordinance (Cap.509 of the Laws of Hong Kong) and Law on Prevention and Control of Occupational Diseases of the People's Republic of China. We endeavour to protect the employees from work related accidents/injuries.

B3 Development and Training

Talent Management

The Group believes that people development plays the most pivotal role in laying a solid ground for business growth. Meanwhile, employees can gain long-term growth and career development in the Group. By allocating sufficient resources to people development, employees are given different types of opportunities based on their position, required skills and working levels. Besides on-the-job training, employees are encouraged to participate in internal and external training to strengthen their capacity, work skills, knowledge and professionalism with newly updated guidelines and latest information on market and industry development. To assess the effectiveness of the training program, the Group regularly reviews it and applies necessary modifications to the program to meet the Group's development goal.

Job Orientation

To assimilate into our culture and get familiar with the new working environment, all new staff undergo an orientation which relates to the Group's background, professional ethics, knowledge and skills for the appointed position, duties and operational procedures and safety etc.

Summary of Development and Training Performance Indicators

	2020			
By Employee Category and Gender	**Total Training Hours**		**Total Percentage**	
	Female	**Male**	**Female**	**Male**
			%	**%**
Management	**57**	**44**	**3.5%**	**2.7%**
Technical/Supervisor	**54**	**582**	**3.3%**	**35.4%**
General Staff	**36**	**869**	**2.2%**	**52.9%**

	2019			
By Employee Category and Gender	Total Training Hours		Total Percentage	
	Female	Male	Female	Male
			%	%
Management	56	148	2.2	5.9
Technical/Supervisor	408	524	16.2	20.9
General Staff	605	770	24.1	30.7

B4 Labor Standards

The Group strictly complies with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Provisions on Prohibition of Child Labor and other applicable laws and regulations in the PRC and fully understands that employing child labor and forced labor is prohibited. The Group reviews the job applicant's identity information during the recruitment process and the applicant is also required to provide document proof of academic qualifications and working experience for verification. The employment policies of the Group also protect the right of free choice of employment by any person and ensure that all employment relationships are established on a voluntary basis. Moreover, the human resources department ensures that sufficient rest days are available to employees. When child labor or forced labor is discovered, the Group would launch investigations and suspend all the job duties of the respective employees. Once the case of child labor or forced labor is verified, the employment contract would be terminated.

During the year ended 31 December 2020, the Group did not identify any non-compliance cases involving child labor and forced labor and complied with all relevant laws and regulations relating to employment and labor practices.

B5 *Supply Chain Management*

To ensure the Group's service quality, the Group's policy in relation to subcontractors and suppliers is to select only those subcontractors and suppliers on an approved list who have passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. Our subcontractors and suppliers are required to follow Hong Kong and their local applicable laws and regulations in relation to occupational health and safety and environmental protection.

The Group aims to maintain partnerships with suppliers and work together in order to promote sustainable development of the industry. The Group performs the evaluation of subcontractors and suppliers on an annual basis to make sure the performance of the subcontractors and suppliers are up to standard. The assessment mainly includes but is not limited to professional qualification, services/products quality, financial status, operation in good integrity, social responsibility, etc. Any suppliers or subcontractors with unsatisfactory annual evaluation results will be removed from the approved list to ensure product quality unless there are exceptional circumstances.

Summary of Suppliers

As at 31 December 2020, the following table sets out breakdowns of the Group's suppliers/subcontractors by geographic region.

	2020	2019
Number of Key Suppliers/Subcontractors	**261**	328
By Region		
Hong Kong	**173**	190
PRC	**87**	134
USA	**1**	–
European Union	**–**	4

B6 *Product Responsibility*

The Group recognizes the importance of the quality of the services provided by the Group. The Group has established relevant policies which cover service quality and safety in order to ensure relevant measures comply with the laws and regulations of Hong Kong and the PRC.

The Group communicates and confirms the work plan with customers before the commencement of projects and actively monitors, processes and coordinates with the customers. For the year ended 31 December 2020, the Group did not receive any material complaints or requests to terminate projects due to poor quality and safety. If a complaint should arise, the Company will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issues. If the complaint is valid, the Group will immediately provide the relevant solution to solve the issues as soon as practicable.

The Group also recognizes the importance of intellectual property rights and exercises reasonable effort in protecting intellectual property. The management and relevant departments review the contracts entered into with customers and suppliers to ensure the intellectual property rights are properly accounted for. The Group also complies with the Copyright Ordinance (Cap. 528 of the Laws of Hong Kong) and Copyright Law of the People's Republic of China in the PRC. All confidential data of customers can only be assessed by the staff who are responsible for the projects for relevant clients.

For the year ended 31 December 2020, the Group did not identify any non-compliance cases relating to product responsibility.

The Group will keep a close eye on the updates of relevant regulations and codes and revise its policies and operations accordingly, so as to prevent any malpractice.

B7 Anti-corruption

The Group realizes the importance of the integrity of our employees and has established the Code of Conduct ("**CoC**") for all employees. With reference to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Anti-Unfair Competition Law of the People's Republic of China, the Company Law of the People's Republic of China in the PRC, advice from the Independent Commission Against Corruption (ICAC), industry practice and internal consideration, CoC is made for the purpose of providing employees with the guidance for allowable acceptance of gifts or entertainment, conflict of interest, handling of confidential information, and whistle-blowing procedure. In line with the CoC, the Group has also partnered with ICAC to organize talks on fighting corruption in the construction industry in particular, as refresher training for its staff.

Employees are also required to comply strictly with applicable laws relating to the above acts. The Group emphatically affirms its zero-tolerance attitude regarding corruption, fraud, and all other behaviors that seriously violate professionalism and work ethics. Upholdings a high standard of integrity, transparency and accountability in its operations, the Group has adopted and circulated clear internal guidelines for employees. During the year ended 31 December 2020, the Group did not receive any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

B8 Community Investment

The Group encourages staff to take part in community welfare and voluntary work for the sake of fulfilling its responsibility and giving back to the society. Community welfare and voluntary work offers a great opportunity for the Group to interact with various stakeholders, leading to a better understanding of their needs and expectations. During the Reporting Period, the Group contributed money and time to two community welfare and voluntary works listed below:

Supporting Education

The Group firmly believes that investing in youth education is crucial for the long-term sustainability of the Group and the industry. Thus, we provide an internship programme for undergraduate students to gain practical working experience in order to support talent development.

Caring for Society

Corporate social responsibility via staff volunteerism, philanthropy and community service is the core value of the Group. We have actively participated in charitable donations, caring for people in need, as well as supporting and sponsoring educational and environmental protection activities. Employees are also encouraged to volunteer and work through collaboration with strategic giving as well as capacity-building initiatives to try and create a positive impact in the community.

INDEX FOR ESG REPORTING GUIDE

Subject Areas, Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Air Emissions Greenhouse Gas Emissions Waste Management
KPI A1.1	The types of emissions and respective emissions data.	Emission — Air Emissions Data
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions in total (in tonnes) and intensity.	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management (Not applicable)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions — Air Emissions Emissions — GHG Emissions Emissions — Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction target(s) set and steps taken to achieve them.	Emissions — Waste Management

Subject Areas, Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources
KPI A2.2	Water consumption in total and intensity.	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Subject Areas, Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practise
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Total Employees and Turnover
KPI B1.2	Employee turnover by gender, age group and geographical region	Total Employees and Turnover

Subject Areas, Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Summary of Health and Safety Performance Indicators
KPI B2.2	Lost days due to work injury	Summary of Health and Safety Performance Indicators
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Summary of Health and Safety Performance Indicators
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Summary of Development and Training Performance Indicators
KPI B3.2	The average training hours completed per employee by gender and employee category.	Summary of Development and Training Performance Indicators

Subject Areas, Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Summary of Suppliers
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WANG Jing (王晶), aged 47, was appointed as the chairman of the Board and an executive Director on 20 February 2020. He is responsible for the overall business development and strategic planning of the Group. He has extensive experience in bank credit and financing business and risk management in the PRC. He worked at the credit department of Lanxi Branch of Jinhua Trust Co., Ltd. (金華信託股份有限公司蘭溪分公司) from September 1995 to July 1998. Between October 1998 and June 2004, he worked at the credit department of China Investment Bank, Hangzhou Qingchun Road Sub-branch (中國投資銀行杭州慶春路支行), (now known as China Everbright Bank, Hangzhou Qingchun Road Sub-branch (中國光大銀行杭州慶春路支行)). He joined Shanghai Pudong Development Bank, Hangzhou Branch (上海浦東發展銀行杭州分行) in July 2004 and was the manager of the 6th department of corporate business until September 2011. Subsequently, he took up the position of manager of the 3rd department of corporate business of China Minsheng Bank, Hangzhou Branch (中國民生銀行杭州分行) from October 2011 to July 2012 and the 8th department of Bank of Shanghai, Hangzhou Branch (上海銀行杭州分行) from August 2012 to December 2013, respectively. Mr. Wang was the chief executive officer of Hangshang Asset Management (Hangzhou) Co., Ltd. (杭商資產管理(杭州)有限公司) from January 2014 to July 2015. Since August 2015, he has been a vice president of Shenzhen Dafy Technology Holdings Co., Ltd. ("**Shenzhen Dafy**") 深圳達飛科技控股有限公司 (formerly known as Shenzhen Dafy Finance Holdings Co. Ltd (深圳達飛金融控股有限公司)), where he participated in the construction of a cloud computer platform.

Mr. Wang obtained a professional specialist diploma in accounting from Zhejiang Institute of Finance and Economics (浙江財經學院) (now known as Zhejiang University of Finance and Economics (浙江財經大學)) of the PRC in July 1995. He has been attending the executive master of business administration programme ("**EMBA**") in new finance at Zhejiang University (浙江大學) since May 2017. Mr. Wang resigned as chairman of the Board and executive Director on 26 November 2020.

Mr. Wang was not a director in any listed companies for the last three preceding years.

Ms. FENG Xuelian (馮雪蓮), aged 47, was appointed as an executive Director on 24 January 2019. She is the business development director of the Group principally responsible for formulating and reviewing the overall business development directions and strategies of the Group. Ms. Feng has more than 20 years of experience in accounting, auditing and financial management. She has been a certified intermediate accountant and a certified tax agent in the PRC since September 2003 and March 2017, respectively. Prior to joining the Company, she worked as an audit manager at Qinhuangdao Xingriyang Accounting Co., Ltd. (秦皇島星日陽會計師事務所有限公司) from 1999 to 2012. She then joined Shenzhen Dafy as the chief financial officer in 2013 and was redesignated as the office manager of the chairman of the board and the director of the investment management department in 2017. Ms. Feng completed the course of economics management profession at the Chinese Communist Party Qinhuangdao Municipal Committee Party School (中共秦皇島市委黨校) in July 2000. She also completed the EMBA programme in internet finance at the PBC School of Finance at Tsinghua University, the PRC in July 2018 and the EMBA programme in corporate value management at the same institute in July 2019.

Ms. Feng was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. NG Kin Siu, (吳建韶), aged 54, is an executive Director and the chief executive officer of the Company and is responsible for the overall business development and strategic planning of the Group. He was appointed as an executive Director on 19 March 2015. He is also a director of Fruit Design & Build Limited ("**Fruit Design**"), Harvest Building Consultancy Limited ("**Harvest Building**"), Marvo Architecture Limited, Win Lee Building Engineering Limited ("**Win Lee Building**") and Win Lee (Project Team B) Construction Limited. On 16 March 2017, he was appointed as a director of Sky Global Construction Limited. Mr. Ng is the sole shareholder of Masterveyor Holdings Limited, which is interested in 4.6% of the issued share capital of the Company.

He graduated from The Robert Gordon University in the United Kingdom in June 1993 with a degree of Bachelor of Science in building surveying. He has been a member of The Hong Kong Institute of Surveyors since March 1997, a member of The Royal Institution of Chartered Surveyors since December 1996 and was registered as a registered professional surveyor with the Surveyors Registration Board in July 1999. He has been an Authorized Person since December 2007 and a Registered Inspector in Hong Kong since 3 October 2012. He has also been the technical director for Win Lee Building's registration of registered general building contractor and registered specialist contractor (demolition) since June 2009 and May 2009, respectively.

He has extensive experience in building surveying and is familiar with the Buildings Ordinance in Hong Kong. Prior to founding the Group, he worked in the Buildings Department from April 1997 to March 2008, with last position held being that of building surveyor.

Mr. Ng was not a director in any listed companies for the last three preceding years.

NON-EXECUTIVE DIRECTOR

Mr. GAO Yunhong (高雲紅), aged 48. Mr. Gao was appointed as executive Director and chairman of the Board on 5 January 2018 and stepped down to non-executive Director on 20 February 2020. He is an experienced business entrepreneur and is the founder of Dafy Group, which comprises Shenzhen Dafy, a company principally engaged in provision of financial technology and related services based in Shenzhen, the PRC, and its subsidiaries. Mr. Gao also has experience in property investment and development in the PRC. Mr. Gao is the sole shareholder of Gentle Soar Limited, which is interested in approximately 64.74% of the issued share capital of the Company.

Mr. Gao was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Yuk Sang (陳玉生), aged 75, was appointed as an independent non-executive Director on 12 January 2018. He has more than 30 years of experience in the banking and finance industry. Mr. Chan has been an independent non-executive director of Four Seas Mercantile Holdings Limited (stock code: 374) since July 2000, the shares of which are listed on the Main Board of the Stock Exchange. He was also a senior general manager of a local bank and an executive director of a joint Chinese foreign bank in Shenzhen, the PRC.

Over the years, Mr. Chan also served the following positions in various listed issuers in Hong Kong set out below:

Company	Position	Tenure
The Hong Kong Building and Loan Agency Limited (stock code: 145)	Director	1993 to 1995
Century Legend (Holdings Limited (stock code: 79)	Chairman	September 1999 to July 2002
GOME Retail Holdings Limited (stock code: 493)	Independent non-executive director	May 2004 to June 2015
Imagi International Holdings Limited (stock code: 585)	Independent non-executive director	May 2010 to January 2016
China Internet Investment Finance Holdings Limited (stock code: 810)	Independent non-executive director	April 2011 to July 2012
Asia Resources Holdings Limited (stock code: 899)	Executive director	April 2017 to December 2018

Save as disclosed above, Mr. Chan was not a director in any other listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WAN Chi Wai Anthony (尹智偉), aged 45, was appointed as an independent non-executive Director on 12 January 2018. He possesses professional experience in both the accounting and legal fields. He is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong. Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there being senior associate. Mr. Wan has been an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006. He was admitted as a solicitor in Hong Kong in September 2006.

Mr. Wan graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration in Accounting degree in November 1997. He subsequently obtained a Bachelor of Laws degree in August 2003 from the University of London, the United Kingdom through distance learning and obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 2004.

Mr. Wan has been an independent non-executive director of Charmacy Pharmaceutical Co., Ltd. (formerly known as Chuangmei Pharmaceutical Co., Ltd.) (stock code: 2289), the shares of which have been listed on the Main Board of the Stock Exchange, since December 2015, and an independent non-executive director of HM International Holdings Limited (stock code: 8416), the shares of which have been listed on GEM of the Stock Exchange, since January 2017.

Save as disclosed above, Mr. Wan was not a director in any other listed companies for the last three preceding years.

Mr. LAU Kwok Fai Patrick (劉國煇), aged 48, was appointed as an independent non-executive Director on 12 January 2018. He has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. From September 1996 to November 1997, Mr. Lau served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants), mainly responsible for statutory audit. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd, mainly responsible for statutory audit, internal control review and enterprise listing audit. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager, and was mainly responsible for financial due diligence, corporate reorganisation and liquidation, distressed assets acquisitions analysis, financial modelling and various financial advisory services. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary, in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which were listed on GEM of the Stock Exchange from May 2012 to December 2013 (stock code: 8240) and were transferred to the Main Board of the Stock Exchange in December 2013 (stock code: 1522). From July 2016 to October 2019, Mr. Lau served in various positions, including chief financial officer and company secretary, in International Alliance Financial Leasing Co., Ltd., the shares of which were listed on the Main Board of the Stock Exchange in March 2019 (stock code: 1563).

Mr. Lau obtained an honours diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a Master of Science in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also obtained the HKICPA Diploma in Insolvency awarded by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) degree in June 2004. Mr. Lau has been a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since July 2003 and December 2007, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

Mr. Lau has been an independent non-executive director of (i) Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2225), for the period from September 2017 to July 2020; (ii) Ximei Resources Holding Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9936), since February 2020; and (iii) Sundy Services Group Co. Ltd, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9608), since December 2020.

Save as disclosed above, Mr. Lau was not a director in any other listed companies for the last three preceding years.

Disclosure required under Rule 13.51 of the Listing Rules

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there is no information in relation to the Directors that is required to be disclosed pursuant to Rules 13.51 of the Listing Rules as at the date of this annual report.

SENIOR MANAGEMENT

Mr. LEE Chi Yung (李志勇), aged 46, was appointed as the chief financial officer and the company secretary of the Company on 18 May 2020. He is mainly responsible for overseeing the Group's financial reporting procedures, internal controls and compliance with the Listing Rules and other relevant laws and regulations. Mr. Lee has over 20 years of experience in the related fields of finance, auditing, accounting, corporate governance practices, and company secretarial matters. He obtained a Bachelor's degree with honors in accountancy from the City University of Hong Kong in 1996 and a Master's degree in Business Administration from University of London in 2016. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Prior to joining our Company, Mr. Lee had worked as financial controller and company secretary of various listed companies in Hong Kong.

Mr. Lee was not a director in any listed companies in the last three preceding years.

REPORT OF DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2020.

CORPORATE INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 19 March 2015.

The shares of the Company were listed on GEM of the Stock Exchange with effect from 30 September 2015 and have been transferred to the Main Board of the Stock Exchange since 10 July 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

Detailed business review is set out in the section of "Management Discussion and Analysis" ("**MD&A**") in this annual report from pages 9 to 23. Future development of the company's business is set out in the section of "Chairman's Statement" and "MD&A" in this annual report on page 4 and page 9 respectively. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Key Risks and Uncertainties

The Group believes that the risk management practices are important and uses its best effort to ensure they are sufficient to mitigate the risks present in its operations and financial position as efficiently and effectively as possible.

An analysis of the Group's financial risk management (including market risk, credit risk, and liquidity risk) objectives and policies are provided in note 34 to the consolidated financial statements.

Environmental Protection

The Group is committed to contributing to the sustainability of the environment through its business activities. The Group established measures and created an environmental framework to minimise and monitor the environmental impact attributable to its operations. The Group implemented green office practices such as redeploying office furniture as far as practicable, encouraging use of recycled paper for printing and copying and reducing energy consumption by switching off idling lightings and electrical appliances. Moreover, the Group also established air pollution, noise and waste disposal control such as watering when necessary for any dusty materials before loading and unloading on site; carrying out work that creates loud noise during day-time or non noise sensitive hours only; and providing labelled bins to allow segregation of recyclable materials from other waste for transportation to landfills or public fill whenever possible.

Workplace Quality

The Group believes that employees are valuable assets and regards human resources as its corporate wealth. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts an annual review on salary raises, bonuses and promotions based on the performance of each employee. The Group has employee handbooks outlining the terms and conditions of employment, expectations for employees' conduct, employees' rights and benefits.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 89 of this annual report.

The Company has adopted a policy on payment of dividends in compliance with code provision E.1.5 of the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company. The Company will declare and/or recommend a payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. The Company shall review and reassess the dividend policy and its effectiveness on a regular basis or as required.

The Board does not recommend any payment of a final dividend for the year ended 31 December 2020 (2019: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Tuesday, 1 June 2021. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 26 May 2021.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 180 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees who have made valuable contributions to the Group. The Scheme of the Company was adopted on 16 September 2015 (the "**Adoption**"). There was no share option granted or agreed to be granted under the Scheme from the date of the Adoption to 31 December 2020.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose

The Scheme is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives: (i) to motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) to attract and to retain or otherwise to maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) The participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(c) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 133,200,000 shares, unless the Company obtains a fresh approval.

(d) Maximum number of shares to any one individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant.

(e) Price of shares

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(f) Time of exercise of options and duration of the Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2020.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company did not have any distributable reserve available for distribution to its shareholders, calculated in accordance with the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands.

REPORT OF DIRECTORS

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2020, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer	14.0%
— The total of the five largest customers	49.8%

For the year ended 31 December 2020, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of services

— The largest supplier	9.0%
— The total of the five largest suppliers	28.7%

None of the Directors, their close associates (as defined in the Listing Rules) or shareholders (who to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors:

Mr. Wang Jing (appointed on 20 February 2020 and resigned on 26 November 2020)
Mr. Gao Yunhong (re-designated to non-executive Director on 20 February 2020)
Ms. Feng Xuelian
Mr. Ng Kin Siu *(Chief executive officer)*

Non-executive Director:

Mr. Gao Yunhong (re-designated from executive Director on 20 February 2020)

Independent non-executive Directors:

Mr. Chan Yuk Sang
Mr. Wan Chi Wai Anthony
Mr. Lau Kwok Fai Patrick

Pursuant to Article 83 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years. Ms. Feng Xuelian, Mr. Chan Yuk Sang and Mr. Lau Kwok Fai Patrick will retire as Directors. Ms. Feng Xuelian, Mr. Chan Yuk Sang and Mr. Lau Kwok Fai Patrick, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting.

REPORT OF DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 64 to 68 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for an initial term of three years commencing from the month of Listing or the date of appointment and will continue thereafter until terminated in accordance with the terms of the service contract. Independent non-executive Directors are appointed for a term of three years initially and will continue thereafter unless terminated by either party giving at least three months' notice in writing.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance, to which the Company, its holding company or subsidiaries was a party and in which a Director or a connected entity of a Director of the Company had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provide that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contributions to the Group may also receive options to be granted under the Share Option Scheme.

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder of the Company or any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2020.

DISCLOSURE OF INTERESTS

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

As at 31 December 2020, interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the ordinary shares of the Company

Name of Director	Capacity/Nature	Number of shares held/ interested in	Percentage of shareholding
Mr. Gao Yunhong (Note 1)	Interest in controlled corporation	862,400,000	64.7%
Mr. Ng Kin Siu (Note 2)	Interest in controlled corporation	61,600,000	4.6%

Notes:

1. Mr. Gao Yunhong beneficially owns the entire issued share capital of Gentle Soar Limited ("**Gentle Soar**") and is deemed, or taken to be, interested in all the shares of the Company held by Gentle Soar for the purposes of the SFO. Mr. Gao Yunhong was re-designated from an executive Director to non-executive Director on 20 February 2020.

2. Mr. Ng Kin Siu beneficially owns the entire issued share capital of Masterveyor Holdings Limited ("**Masterveyor**") and is deemed, or taken to be, interested in all the shares of the Company held by Masterveyor for the purposes of the SFO. Mr. Ng Kin Siu is an executive Director and chief executive officer of the Company.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held/ interested in	Percentage of shareholding
Mr. Gao Yunhong	Gentle Soar	Beneficial owner	1	100%
Mr. Ng Kin Siu	Masterveyor	Beneficial owner	2	100%

Save as disclosed above, as at 31 December 2020, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

B. **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at 31 December 2020, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held/ interested in	Long/ short position	Percentage of total issued share capital of the Company
Gentle Soar	Beneficial owner	862,400,000	Long	64.7%
China Minsheng Banking Corp. Ltd.	Interest in a controlled corporation (Note 1)	652,680,000	Long	49.0%
CMBC Capital Finance Limited	Person having a security interest in shares (Note 1)	652,680,000	Long	49.0%
CMBC Capital Holdings Limited	Interest in a controlled corporation (Note 1)	652,680,000	Long	49.0%
CMBC International Holdings Limited	Interest in a controlled corporation (Note 1)	652,680,000	Long	49.0%
CMBC International Investment (HK) Limited	Interest in a controlled corporation (Note 1)	652,680,000	Long	49.0%
CMBC International Investment Limited	Interest in a controlled corporation (Note 1)	652,680,000	Long	49.0%
Pop Reach Limited	Beneficial owner	89,480,000	Long	6.7%
Ms. Yeung So Lai	Interest in a controlled corporation (Note 2)	89,480,000	Long	6.7%

Notes:

(1) CMBC Capital Finance Limited is a wholly-owned subsidiary of CMBC Capital Holdings Limited which is beneficially owned by CMBC International Investment Limited as to 60.62%. CMBC International Investment Limited is a wholly-owned subsidiary of CMBC International Investment (HK) Limited which is an indirect wholly-owned subsidiary of CMBC International Holdings Limited which is an wholly-owned subsidiary of China Minsheng Banking Corp. Ltd.. By virtue of the SFO, CMBC Capital Holdings Limited, CMBC International Holdings Limited, CMBC International Investment (HK) Limited and CMBC International Investment Limited are therefore deemed to be interested in the security interest held by CMBC Capital Finance Limited.

(2) Ms. Yeung So Lai is beneficially interested in the entire issued shares of Pop Reach Limited and is therefore deemed to be interested in the Shares held by Pop Reach Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2020 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register and kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

(1) VIE Agreements

On 31 May 2019, a series of agreements comprising the exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**"), the exclusive purchase right agreement (the "**Exclusive Purchase Right Agreement**"), the equity pledge agreement (the "**Equity Pledge Agreement**") and two powers of attorneys all dated 31 May 2019 (collectively, the "**VIE Agreements**") were entered into among Shangrao Hongmiao Information Technology Co., Ltd.* (上饒市紅淼信息科技有限公司) ("**Shangrao Hongmiao**") ((formerly known as Shangrao Dafy Financial Data Service Co., Ltd. (上饒市達飛金融信息服務有限公司)), a non-wholly-owned subsidiary of the Company, Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd* 深圳前海微遠至誠運營管理科技有限公司 (the "**OPCO**"), Mr. Gao and Shangrao Yaxin Technology Co., Ltd.* (上饒市亞鑫科技有限公司) ("**Shangrao Yaxin**"). Through the VIE Agreements, Shangrao Hongmiao would have effective control over the finance, operation and assets of the OPCO and would enjoy the entire economic interests and benefits generated by the OPCO. After entering into the VIE Agreements, the OPCO has become a non-wholly-owned subsidiary of the Company and the financial results of the OPCO has been consolidated into the consolidated financial statements of the Group. As at the date of the VIE Agreements, Gentle Soar was beneficially interested in 862,400,000 shares (representing 70% of the then total issued shares) and was a controlling shareholder of the Company. Mr. Gao beneficially owns the entire issued shares of Gentle Soar and is therefore also a controlling shareholder of the Company. In addition, Mr. Gao was then an executive Director. As such, Mr. Gao is a connected person of the Company under Chapter 14A of the Listing Rules.

As the OPCO is legally owned as to 99% by Mr. Gao and 1% by Shangrao Yaxin, a company established in the PRC with limited liability which is legally and wholly owned by Mr. Gao, OPCO is an associate of Mr. Gao and therefore a connected person of the Company. Accordingly, the transactions contemplated under the VIE Agreements constitute connected transactions and continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules and are subject to the announcement, independent shareholders' approval, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

An independent board committee, comprising only the independent non-executive Directors (the "**Independent Board Committee**") has been established by the Board to advise the shareholders of the Company other than Gentle Soar and its associates (the "**Independent Shareholders**") on the terms of the VIE Agreements. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the VIE Agreements. In accordance with Rule 14A.52 of the Listing Rules, the independent financial adviser has also explained why the duration of the VIE Agreements, which exceeds three years, constitutes a special circumstance under Rule 14A.52 of the Listing Rules and is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration. An extraordinary general meeting was convened on 9 September 2019 and the VIE Agreements and the transactions contemplated thereunder were duly approved by the Independent Shareholders. The Company has applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the VIE Agreements pursuant to Rule 14A.52 of the Listing Rules; and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by OPCO to Shangrao Hongmiao.

A brief description of each of the specific agreements that comprise the VIE Agreements entered into between Shangrao Hongmiao, Mr. Gao and Shangrao Yaxin and the OPCO is set out as follows:

(1) *The Exclusive Business Cooperation Agreement*
The OPCO shall engage Shangrao Hongmiao on an exclusive basis to provide technical support, business support and related consulting services, the actual scope of which is to be determined by Shangrao Hongmiao as it deems necessary with reference to the principal business activities of the OPCO, including but not limited to business management, financial consultation and marketing consultation.

(2) *The Exclusive Purchase Right Agreement*
Mr. Gao and Shangrao Yaxin have irrevocably granted Shangrao Hongmiao an exclusive right, at any time and from time to time, to purchase or nominate any individuals/entities to purchase all or part of their equity interests in the OPCO at the lowest price permissible under the PRC laws. The OPCO has also irrevocably granted Shangrao Hongmiao an exclusive right, at any time and from time to time, to purchase or nominate any individuals/entities to purchase all or part of its assets at the lowest price permissible under the PRC laws.

(3) *The Equity Pledge Agreement*
Mr. Gao and Shangrao Yaxin have pledged all of their equity interests in the OPCO to Shangrao Hongmiao to secure the performance of all their obligations and the obligations of the OPCO under the VIE Agreements. Shangrao Hongmiao shall be entitled to the distribution generated by the pledged equity interests during the term of the pledge.

(4) *Powers of Attorney*
Each of Mr. Gao and Shangrao Yaxin has unconditionally and irrevocably authorised Shangrao Hongmiao or its successor (who may further delegate such rights to other individuals or entities) to exercise all of their rights as shareholders of the OPCO under PRC laws, including but not limited to:

(i) convening, attending and participating shareholders' meetings of the OPCO, receiving relevant notice or document relating to the shareholders' meetings;

(ii) discussing and voting in shareholders' meetings of the OPCO;

(iii) signing and delivering any written resolutions and minutes of shareholders' meetings of the OPCO and any other documents required to be signed by the shareholders of the OPCO, and submitting documents to the relevant companies registry for filing purposes;

(iv) selling, transferring, securing or disposing of the shares in the OPCO;

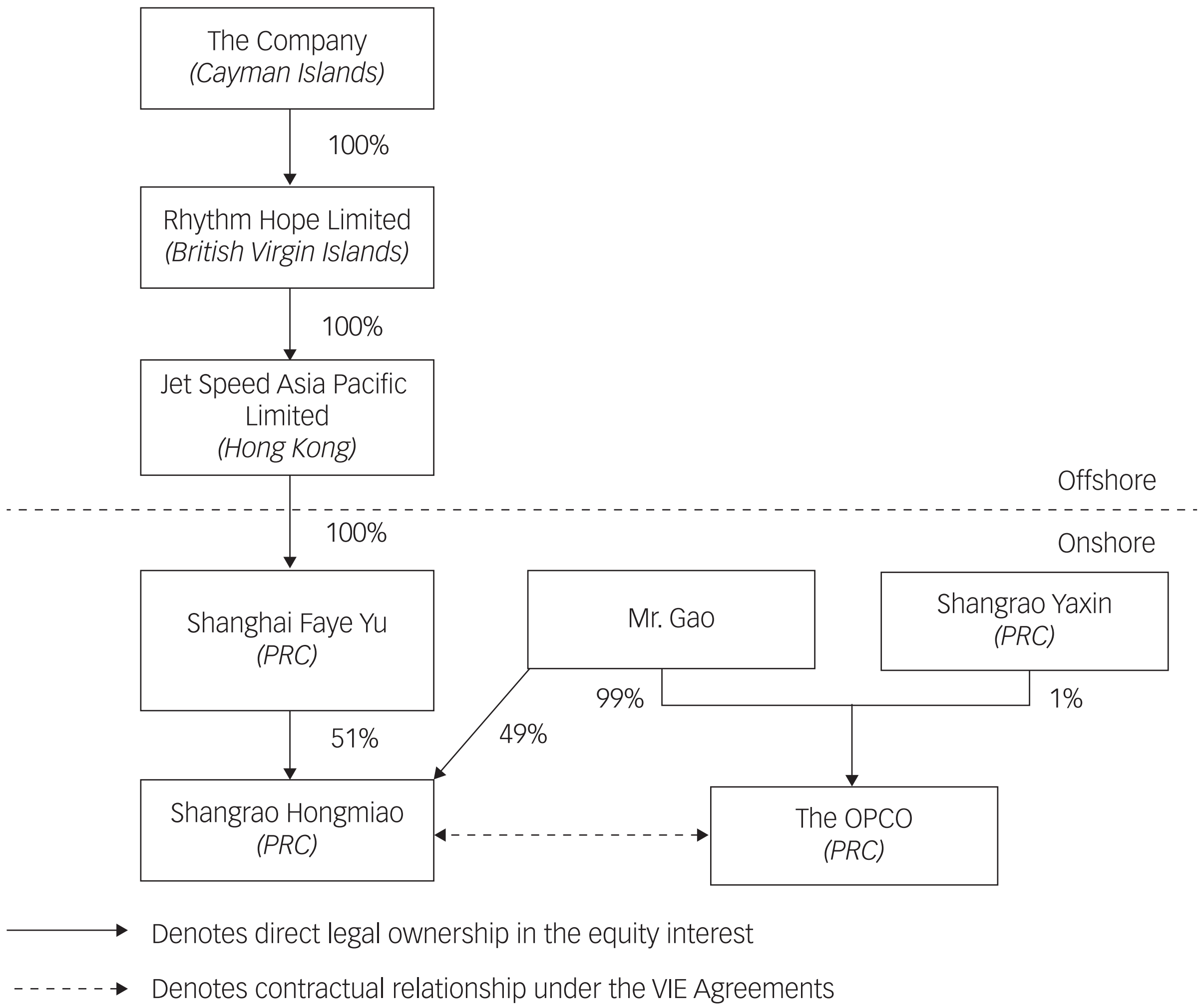
(v) managing or disposing of the assets of the OPCO;

(vi) exercising full rights to control and manage the finance, accounting and daily operation of the OPCO;

(vii) approving any documents that have to be submitted to the relevant government departments or supervising authorities for filing purposes; and

(viii) exercising all other shareholders' rights under the PRC laws and regulations and the articles of association of the OPCO.

The following diagram sets out the VIE structure established under the VIE Agreements:



Reasons for entering into the VIE Agreements

The Board has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. Through Shangrao Hongmiao, the Group has commenced the financial information and technology services in the PRC, which linked up individuals in the PRC with various financial institutions or credit service providers. The Directors believe that the OPCO, which possesses the Management Systems (as defined below), will provide the Group with actual and fundamental resources in further expanding the Group's financial information and technology services in the PRC.

However, according to the Catalogue of Telecommunications Business (2015)* (《電信業務分類目錄(2015年版)》), the online data processing business falls under the category of "value-added telecommunications business" and an ICP Licence (a value-added telecommunications business operation licence (互聯網信息服務增值電信業務經營許可證) with a service scope of information services of Category 2 value-added telecommunication services by the relevant PRC government authorities) is required for carrying out such business activity. Further, pursuant to the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (2016 Amended)* (《外商投資電信企業管理規定(2016年修訂)》), the Catalogue of Industries for Guiding Foreign Investment (2017 revised version)* (《外商投資產業指導目錄(2017年修訂)》) (the "**Catalogue**") promulgated by the Ministry of Commerce and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition)* (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "**Negative List**"), "value-added telecommunications business", which is the principal business of the OPCO, falls within the restricted industries for foreign investment. The ratio of investment by a foreign investor in a company providing value-added telecommunications services shall not exceed 50%. Accordingly, Shangrao Hongmiao is not eligible to apply for the ICP Licence or acquire any equity interests in the OPCO for the purpose of engaging in the value-added telecommunications business. Moreover, a foreign investor who invests in a value-added telecommunications services company shall have a good track record and experience in providing value-added telecommunications business (the "**Qualification Requirement**"). Currently, no clear guidance or interpretation of the Qualification Requirement has been issued. Thus it would be difficult and uncertain for the Group to obtain the ICP Licence through holding equity interest (whether directly or indirectly) in a foreign-invested enterprise in the PRC, and the prolonged process of application with unknown results would incur extra costs for the Group.

In light of the foreign ownership restriction and ambiguity in the Qualification Requirement mentioned above, in order to comply with applicable PRC laws and regulations and obtain the entire economic benefits attributable to the OPCO, the VIE Agreements were entered into among Shangrao Hongmiao, the OPCO and/or Mr. Gao and Shangrao Yaxin, pursuant to which Shangrao Hongmiao would have effective control over the finance, operation and assets of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO.

Risks associated with the VIE Agreements

The Company considers that the following risks are associated with the VIE Agreements:

(i) the PRC government may determine that the VIE Agreements do not comply with the applicable laws and regulations;

(ii) the VIE Agreements may not be as effective as direct ownership in providing control of the OPCO;

(iii) the PRC Equity Owners may potentially have a conflict of interests with the Group;

(iv) the contractual arrangements may be subject to the scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed;

(v) certain terms of the VIE Agreements may not be enforceable under PRC laws;

(vi) a substantial amount of costs and time may be involved in transferring the ownership of the OPCO to the Group under the Exclusive Purchase Right Agreement; and

(vii) the Company does not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder.

For the year ended 31 December 2020, as OPCO had no net profit from operation, the amount of service fee payable by OPCO to Shangrao Hongmiao under the Exclusive Business Cooperation Agreement was nil (2019: Nil).

Further details of these risks and the internal control measures taken by the Group to mitigate these risks are respectively set out in the paragraphs headed "Risk Factors in Relation to the VIE Agreements" and "Internal Control Measures to be Implemented by the Group" in the circular of the Company dated 21 August 2019.

(2) Design and construction agreement with Land Ease Limited

On 8 June 2018, Fruit Design & Build Limited ("**Fruit Design**"), a wholly owned subsidiary of the Company, entered into a design and construction agreement with Land Ease Limited (**"Land Ease**"), a company wholly owned by Mr. Ng Kin Siu, an executive Director, pursuant to which Fruit Design has agreed to provide design and construction services to Land Ease, at a consideration of HK$182 million (the "**Design and Construction Agreement**").

For the year ended 31 December 2020, the fees received from Land Ease were HK$19,889,000 (2019: HK$99,935,000), which are within the approved annual caps of HK$20,000,000 (2019: HK$100,000,000).

(3) The lease agreements

On 17 December 2018, Shangrao Hongmiao entered into a lease agreement (the "**New Lease Agreement 1**") with Shenzhen Dafy Technology Holdings Co., Ltd. (深圳達飛科技控股有限公司) ("**Shenzhen Dafy**") and a lease agreement with Dafy Yundai Technology (Beijing) Co., Ltd. (達飛雲貸科技(北京)有限公司) ("**Dafy Yundai**") (the "**New Lease Agreement 2**").

Under New Lease Agreement 1, Shangrao Hongmiao leased the risk management and operations management systems in connection with financial information and technology services (the "**Management Systems**") from Shenzhen Dafy, from 1 January 2019 to 30 June 2019 (both days inclusive), at a leasing fee of RMB980,000.

Under New Lease Agreement 2, Shangrao Hongmiao leased the hardware and software system in connection with the financial information and technology services on the mobile application "達飛雲貸" from Dafy Yundai, from 1 January 2019 to 30 June 2019 (both days inclusive), at a consideration of RMB970,000.

On 31 May 2019, Shangrao Hongmiao and Shenzhen Dafy entered into a termination agreement to terminate the New Lease Agreement 1 (the "**Termination Agreement**") with effect from 1 June 2019. Shenzhen Dafy returned to Shangrao Hongmiao the leasing fee in the amount of RMB162,000 paid for the period between 1 June 2019 to 30 June 2019. Therefore, the leasing fee paid to Shenzhen Dafy for the year ended 31 December 2019 was RMB818,000.

On 8 July 2019, Shangrao Hongmiao entered into a lease agreement (the "**OPCO Lease Agreement**") with the OPCO to lease the Management Systems at a leasing fee of RMB1,134,000 for the period from 1 June 2019 to the earlier of 31 December 2019 and the day on which the VIE Agreements are approved by the Independent Shareholders' at the extraordinary general meeting (the "**EGM**") . The EGM was held, and the OPCO Lease Agreement was expired, on 9 September 2019, and the leasing fee paid under the OPCO Lease Agreement was RMB535,000.

On 31 May 2019, Shangrao Hongmiao entered into a new lease agreement with Dafy Yundai (the "**Renewed Lease Agreement 2**") to renew the lease terms of New Lease Agreement 2, which expired on 30 June 2019, from 1 July 2019 to 31 December 2019, at a leasing fee of RMB920,000.

Renewal of lease agreement

On 1 January 2020, Shangrao Hongmiao entered into a lease agreement (the "**2020 Lease Agreement**") with Dafy Yundai, for the period of 1 January 2020 to 31 December 2020, to renew the Renewed Lease Agreement 2. The amount of fees payable by Shangrao Hongmiao under the 2020 Lease Agreement is RMB1,840,000. The transactions contemplated under the 2020 Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. For details, please refer to the Company's announcement dated 2 January 2020.

The transaction amount and the annual cap for the year ended 31 December 2020 under the lease agreements were as follows:

Agreement	**Transaction amount for the year ended 31 December 2020** (RMB)	**Annual Cap for the year ended 31 December 2020** (RMB)
New Lease Agreement 1	–	–
New Lease Agreement 2	–	–
OPCO Lease Agreement	–	–
Renewed Lease Agreement 2	–	–
2020 Lease Agreement	1,840,000	1,840,000

As Mr. Gao is beneficially interested in 80.6% and 92.2% of the registered share capital of Shenzhen Dafy and Dafy Yundai respectively, each of Shenzhen Dafy and Dafy Yundai is an associate of Mr. Gao and connected person of the Company under Chapter 14A of the Listing Rules.

Save as disclosed above, during the year ended 31 December 2020, the Group did not enter into any other connected transactions that are not fully exempted under Rule 14A.33 of the Listing Rules.

Confirmation of independent non-executive directors in relation to the Continuing Connected Transactions

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions related to the Design and Construction Agreement and the lease agreements and confirmed that the transactions have been entered into are:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation of independent non-executive directors in relation to the VIE agreement

Further, the independent non-executive Directors confirm that:

(i) the transactions under the VIE Agreements carried out during the year ended 31 December 2020 have been entered into in accordance with the relevant provisions of the VIE Agreements;

(ii) no dividends or other distributions have been made by the OPCO to either Mr. Gao or Shangrao Yaxin which are not retained by or assigned or transferred to the Group; and

(iii) no new agreement relating to the VIE structure established under the VIE Agreements was entered into, renewed or reproduced between the OPCO and the Group during the year ended 31 December 2020.

Confirmation from Auditor of the Company in relation to the Continuing Connected Transactions

HLB Hodgson Impey Cheng, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. HLB Hodgson Impey Cheng has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement, the Design and Construction Agreement, and the New Lease Agreement 1, the New Lease Agreement 2, the OPCO Lease Agreement and the Renewed Lease Agreement 2 for the year ended 31 December 2020 in accordance with Main Board Listing Rule 14A.54, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Business Cooperation Agreement for the year ended 31 December 2020. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 32 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those disclosed in the paragraph headed "Continuing Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum public float as required under the Listing Rules.

AUDITOR

HLB Hodgson Impey Cheng will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2020 have been audited by HLB Hodgson Impey Cheng.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

EVENTS AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated 5 October 2020, 22 January 2021 and 2 February 2021 respectively in relation to the disposal (the "**Disposal**") of the entire issued share capital of Fruit Design & Build Limited (the "**Target Company**"). On 22 January 2021, FDB & Associates Limited (the "**Vendor**") and Mr. Ip Kong Ling (the "**Purchaser**") entered into the sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire shares at the consideration of HK$8,500,000 (subject to adjustment, if any). Completion of the Disposal ("**Completion**") took place on 10 February 2021. Upon Completion, the Group no longer held any interest in the Target Company, the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company are no longer consolidated with the results of the Group.

Prior to the Disposal, the Target Company was an indirect wholly-owned subsidiary of the Company principally engaged in the provision of building consultancy services. In light of the Strengthened Credit Measures, the overall weak performance of the building consultancy business in the past few years and the increasingly difficult business environment of the Target Company, the Disposal would provide the Company with an opportunity to streamline its line of business and the structure of the Group and, at the same time, to obtain immediate cash in return for the Group to focus its resources on the contracting business, which is believed to be more profitable, while the Group continues to explore other more promising business opportunities. It is expected that the Group will record a gain of approximately HK$2.25 million due to the Disposal and the proceeds from the Disposal will be applied towards the general working capital of the Group and repayment of bank loans of the construction segment.

As the Purchaser is a director of the Target Company, the Purchaser is a connected person of the Company at the subsidiary level. As all the applicable percentage ratios for the Disposal are less than 25% and the aggregate consideration for the Disposal is less than HK$10,000,000, the Disposal is therefore subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirement.

On 30 March 2021, Jet Speed Asia Pacific Limited (the "**Vendor**"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Zhang Jin ("**Mr. Zhang**"), an independent third party, pursuant to which the Vendor disposed of the entire equity interest of Shanghai Faye Yu Technology Company Limited (the "**Disposal Company**") to Mr. Zhang, at a total cash consideration of RMB1. Prior to the disposal, the Disposal Company was an indirect wholly owned subsidiary of the Company and principally engaged in the provision of computer information network, electronic technology development consulting and advertising. The Disposal Company together with its subsidiaries (the "**Disposal Group**") carried out the loan facilitation business of the Group in the PRC. The disposal has been completed on 30 March 2021. For details, please refer to the Company's announcement dated 30 March 2021.

By Order of the Board
Feng Xuelian
Executive Director

Hong Kong, 30 March 2021

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF STEERING HOLDINGS LIMITED
(FORMERLY KNOWN AS DAFY HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Steering Holdings Limited (formerly known as Dafy Holdings Limited) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 89 to 179, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Other receivables, deposits and prepayments

As disclosed in Note 20 to the consolidated financial statements, included in the gross carrying amounts of trade and other receivables of the Group as at 31 December 2020 and 2019 are the following other receivables, deposits and prepayments of the financial information and technology services segment of the Group (the "**Receivables**"):

— deposits of approximately RMB35,735,000 and RMB8,804,000 paid by the Group to a credit service provider and a financial institution respectively during the year ended 31 December 2019 and equivalent to approximately HK$52,472,000 and HK$49,794,000 as at 31 December 2020 and 2019 respectively. As disclosed in note (c) in Note 20, the deposits were calculated based on a fixed percentage of the amounts of the loans distributed to borrowers through the credit service provider or the financial institution and the deposits would be released upon the maturity of the relevant loans, which ranged from 3 months to 1 year from the loan origination date;

— other receivables from a credit service provider of approximately HK$126,727,000 and HK$177,689,000 as at 31 December 2020 and 2019 respectively, which relate to payments amounting to RMB158,929,000 (equivalent to approximately HK$177,689,000) made by the Group to the credit service provider during the year ended 31 December 2019 as part of the business cooperation between the Group and the credit service provider; and

— other receivable of approximately HK$79,528,000 as at 31 December 2020 which arose from payments made by the Group to agents which amounted to approximately RMB67,504,000.

BASIS FOR DISCLAIMER OF OPINION (Continued)

1. Other receivables, deposits and prepayments (Continued)

The Receivables had been long outstanding as at 31 December 2020 and based on the impairment assessment performed under the expected credit loss model, impairment loss on the deposits to a credit service provider and a financial institution of approximately HK$36,537,000, impairment loss on other receivables from a credit service provider of approximately HK$77,544,000 and impairment loss on other receivable arising from payments to agents of approximately HK$79,216,000 were recognised in consolidated profit or loss of the Group for the year ended 31 December 2020 to impair the carrying amounts of the Receivables to their estimated recoverable amount of approximately HK$10,274,000, HK$29,190,000 and Nil respectively as at 31 December 2020.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the net carrying amounts of the Receivables as at 31 December 2020 and 2019 and the impairment loss on the Receivables recognised in consolidated profit or loss for the years then ended because we were not provided with (i) reasonable explanation and supporting documentation to substantiate the commercial substance, validity and nature of the relevant transactions that gave rise to the Receivables; and (ii) reasonable explanation and supporting documentation to substantiate the recoverable amount of the Receivables as at 31 December 2020 and the recoverability of the respective net carrying amounts of the Receivables as at 31 December 2019. There were no alternative satisfactory audit procedures that we could adopt to determine whether the net carrying amounts of the Receivables as at 31 December 2020 and 2019 and the impairment loss on the Receivables recognised in consolidated profit or loss for the years then ended contain material misstatements. As a result, we were unable to determine whether any adjustments or additional disclosures might have been found necessary in respect of the Receivables and the impairment losses recognised thereon, including the related tax impact and other related elements in the consolidated financial statements, which may have consequential significant effects on the consolidated financial position of the Group as at 31 December 2020 and 2019 and the consolidated financial performance and consolidated cash flows of the Group for the years then ended, and may result in additional disclosures in the consolidated financial statements.

2. Income tax expense and tax payable

Included in the tax payable of the Group are tax payable of approximately HK$119,285,000 and HK$122,745,000 as at 31 December 2020 and 2019 respectively of the financial information and technology services segment of the Group, for which the related income tax expense recognised in consolidated profit or loss amounted to approximately HK$54,638,000 and HK$79,790,000 for the years ended 31 December 2020 and 2019 respectively. The Group paid only approximately HK$10,280,000 and HK$9,700,000 of income tax in the years ended 31 December 2020 and 2019 respectively in respect of the income tax liabilities of the financial information and technology services segment and no such income tax was paid during the period from the end of the reporting period up to the date of this report. The Group has engaged an independent tax expert to review the tax position and tax exposure of the Group in relation to the financial information and technology services segment. Up to the date of this report, the tax expert is still in the process of determining the income tax related to financial information and technology services but suggested that the Group may be subject to significant late penalty or surcharge. No provision is recognised in the consolidated financial statements in respect of any late penalty or surcharge that may be imposed by the tax authorities.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION (Continued)

2. Income tax expense and tax payable (Continued)

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the provision for late penalty or surcharge that should be recorded by the Group as at 31 December 2020 and 2019 and the carrying amounts of the tax payable as at 31 December 2020 and 2019 because the independent tax expert's review of the tax position and tax exposure of the Group in relation to the financial information and technology services segment is still not yet completed. There were no alternative satisfactory audit procedures that we could adopt to determine whether the carrying amounts of the tax payable and related provision as at 31 December 2020 and 2019 and the tax and related expenses recognised in consolidated profit or loss for the years then ended contain material misstatements. As a result, we were unable to determine whether any adjustments or additional disclosures might have been found necessary in respect of the tax payable and related provision and the tax and related expenses recognised thereon, including the other related elements in the consolidated financial statements, which may have consequential significant effects on the consolidated financial position of the Group as at 31 December 2020 and 2019 and the consolidated financial performance and consolidated cash flows of the Group for the years then ended, and may result in additional disclosures in the consolidated financial statements.

3. Multiple uncertainties relating to the going concern

As explained in Note 3 to the consolidated financial statements, the Group incurred a net loss of approximately HK$429,528,000 for the year ended 31 December 2020, and, as of that date, the Group had net current liabilities of approximately HK$16,819,000. In addition, as described above, the Group may be subject to significant late penalty and surcharge related to income tax of the financial information and technology services segment. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have been undertaking certain measures to improve the Group's liquidity and financial position, as set out in Note 3 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the eventual successful outcome of these measures, which as at the date of this report cannot be ascertained with reasonable certainty and are subject to multiple uncertainties, including (i) whether the Group is able to obtain further financing from its stakeholders; and/or (ii) whether the cost and working capital control measures would significantly reduce overall operating costs of the Group and enable the Group to attain positive cash flow from operations.

Should the Group fail to achieve successful outcomes from the above mentioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable 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 effects of these adjustments have not been reflected in these consolidated financial statements.

We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analysis provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated financial position of the Group as at 31 December 2020 and the consolidated financial performance and consolidated cash flows of the Group for the year then ended.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on 11 May 2020.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditors' report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide basis for our audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**473,860**	1,293,293
Cost of services		**(483,877)**	(707,720)
Gross (loss)/profit		**(10,017)**	585,573
Other income	6	**26,615**	1,397
Other gains and losses	7	**(24,000)**	(54,606)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	8	**(311,099)**	(208,003)
Administrative expenses		**(70,824)**	(107,168)
Finance costs	9	**(1,933)**	(2,997)
(Loss)/profit before tax	10	**(391,258)**	214,196
Income tax expense	13	**(38,270)**	(97,619)
(Loss)/profit for the year		**(429,528)**	116,577
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(1,240)**	(25,069)
Exchange differences on translation from functional currency to presentation currency		**2,873**	(3,089)
		1,633	(28,158)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**13,770**	3,171
Other comprehensive income/(loss) for the year		**15,403**	(24,987)
Total comprehensive (loss)/income for the year		**(414,125)**	91,590
(Loss)/profit for the year attributable to:			
Owners of the Company		**(245,030)**	20,568
Non-controlling interests		**(184,498)**	96,009
		(429,528)	116,577
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(230,877)**	(4,222)
Non-controlling interests		**(183,248)**	95,812
		(414,125)	91,590
(Loss)/earnings per share	14		
Basic and diluted (HK cents)		**(18.4)**	1.7

The accompanying note form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15A	**1,908**	4,079
Intangible assets	15B	**–**	5,763
Right-of-use assets	16	**337**	7,227
Equity instruments at FVTOCI	17	**18,457**	19,697
Deferred tax assets	27	**3**	51,780
		20,705	88,546
Current assets			
Contract assets	19	**95,193**	141,067
Trade and other receivables	20	**226,309**	512,152
Financial assets at fair value through profit or loss ("**FVTPL**")	18	**13,902**	24,683
Tax recoverable		**1,346**	4,470
Pledged bank deposits	21	**25,583**	36,316
Bank balances and cash	21	**24,023**	171,039
		386,356	889,727
Current liabilities			
Trade and other payables	22	**229,259**	297,754
Contract liabilities	23	**31,731**	37,623
Amounts due to a shareholder	24	**12,406**	15,503
Tax payable		**119,285**	123,083
Lease liabilities	25	**3,994**	6,818
Bank borrowings	26	**6,500**	52,600
		403,175	533,381
Net current (liabilities)/assets		**(16,819)**	356,346
Total assets less current liabilities		**3,886**	444,892
Non-current liabilities			
Deferred tax liabilities	27	**56**	16,278
Lease liabilities	25	**1,514**	425
		1,570	16,703
Net assets		**2,316**	428,189

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	28	**13,320**	13,320
Reserves		**14,054**	244,931
Equity attributable to owners of the Company		**27,374**	258,251
Non-controlling interests		**(25,058)**	169,938
Total equity		**2,316**	428,189

The consolidated financial statements on pages 89 to 179 were approved and authorised for issued by the board of directors on 30 March 2021 and are signed on its behalf by:

MS. FENG XUELIAN,
DIRECTOR

MR. NG KIN SIU,
DIRECTOR

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note 1)	Translation reserve HK$'000 (Note 2)	Revaluation reserve HK$'000 (Note 3)	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2019	12,320	21,440	1,000	(37)	(5,234)	107,485	136,974	30,685	167,659
Profit for the year	–	–	–	–	–	20,568	20,568	96,009	116,577
Other comprehensive income/(loss) for the year	–	–	–	279	(25,069)	–	(24,790)	(197)	(24,987)
Total comprehensive income/(loss) for the year	–	–	–	279	(25,069)	20,568	(4,222)	95,812	91,590
Shares issued upon exercise of convertible bonds	1,000	124,499	–	–	–	–	125,499	–	125,499
Capital contribution by a non-controlling shareholder of a subsidiary (Note 38)	–	–	–	–	–	–	–	43,441	43,441
As at 31 December 2019 and 1 January 2020	**13,320**	**145,939**	**1,000**	**242**	**(30,303)**	**128,053**	**258,251**	**169,938**	**428,189**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(245,030)**	**(245,030)**	**(184,498)**	**(429,528)**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**15,393**	**(1,240)**	**–**	**14,153**	**1,250**	**15,403**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**15,393**	**(1,240)**	**(245,030)**	**(230,877)**	**(183,248)**	**(414,125)**
Capital contribution by a non-controlling shareholder of a subsidiary (Note 38)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**274**	**274**
Dividend payable to non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,397)**	**(11,397)**
Disposal of subsidiaries (Note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(625)**	**(625)**
As at 31 December 2020	**13,320**	**145,939**	**1,000**	**15,635**	**(31,543)**	**(116,977)**	**27,374**	**(25,058)**	**2,316**

Notes:

1. **OTHER RESERVE**
As part of the group reorganisation for the listing of the shares of Steering Holdings Limited (formerly known as Dafy Holdings Limited) (the "**Company**") on GEM of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), there are series of restructuring within the Company and its subsidiaries (collectively referred to as the "**Group**") mainly involved interspersing investment holding entities between the operating subsidiaries and Mr. Ng Kin Siu. The difference between the Company's share capital and the combined share capital of Fruit Design & Build Limited ("**Fruit Design**"), Harvest Building Consultancy Limited, Win Lee Building Engineering Limited ("**Win Lee Building**"), Marvo Architecture Limited, FDB Innovations Limited, FDB Facade Limited ("**FDB Facade**") and FDB Development Limited was credited to other reserve.

2. **TRANSLATION RESERVE**
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations and presentation currency.

3. **REVALUATION RESERVE**
Revaluation reserve comprises the cumulative net charge in the fair value of equity instruments at FVTOCI that are held at the end of the reporting period.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(391,258)**	214,196
Adjustments for:			
Depreciation of property, plant and equipment	15A	**1,959**	3,020
Amortisation of intangible assets	15B	**821**	111
Depreciation of right-of-use assets	16	**9,079**	18,608
Finance costs	9	**1,933**	2,997
Impairment losses under ECL model, net of reversal	8	**311,099**	208,003
Impairment losses on property, plant and equipment	15A	**1,012**	–
Impairment losses on right-of-use assets	16	**5,018**	–
Impairment losses on intangible assets	15B	**5,225**	–
Loss from change in fair value of convertible bonds at FVTPL	31	**–**	45,499
Realised gain on financial assets at FVTPL	7	**(47)**	–
Loss from change in fair value of financial assets at FVTPL	7	**11,918**	8,930
Bank interest income	6	**(319)**	(290)
Dividend income	6	**(455)**	(275)
Loss on disposal of property, plant and equipment	7	**138**	12
Gain on disposal on subsidiaries	7	**(1,943)**	–
Operating cash flows before movements in working capital		**(45,820)**	500,811
Increase in trade and other receivables		**(13,555)**	(514,803)
Decrease in contract assets		**42,492**	15,099
(Decrease)/increase in trade and other payables		**(69,115)**	121,916
(Decrease)/increase in contract liabilities		**(5,020)**	23,748
Cash (used in)/generated from operations		**(91,018)**	146,771
Income tax paid		**(8,414)**	(25,432)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(99,432)**	121,339
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		**–**	(33,613)
Purchase of property, plant and equipment		**(948)**	(1,127)
Initial payment of acquiring right-of-use asset		**(69)**	–
Proceed from disposal of financial assets at FVTPL		**177**	–
Proceeds from disposal of property, plant and equipment		**22**	550
Net cash outflow on disposal of subsidiaries	37	**(1,684)**	–
Placement of pledged bank deposits		**(5,317)**	(12,485)
Withdrawal of pledged bank deposits		**16,050**	9,363
Interest received		**319**	290
Dividend received		**455**	275
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**9,005**	(36,747)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(1,668)**	(2,417)
Proceeds from bank borrowings		**44,811**	110,300
Repayment of bank borrowings		**(90,911)**	(111,100)
Repayment of lease liabilities		**(9,144)**	(19,443)
Capital contribution by a non-controlling shareholder of a subsidiary	38.1	**274**	43,441
Advances from a shareholder		**–**	22,253
Repayments to a shareholder		**(3,616)**	(59,105)
Proceeds on issue of convertible bonds		**–**	80,000
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(60,254)**	63,929
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(150,681)**	148,521
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**171,039**	21,996
Effect of foreign exchange rate changes		**3,665**	522
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
represented by bank balances and cash		**24,023**	171,039

The accompanying note form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

Steering Holdings Limited (formerly known as Dafy Holdings Limited) (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 March 2015. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Its immediate holding company is Gentle Soar Limited ("**Gentle Soar**"), a company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Gao Yunhong ("**Mr. Gao**"), who was the chairman and executive director of the Company. On 20 February 2020, Mr. Gao stepped down from the position of chairman and was re-designated as a non-executive director of the Company. On the same date, Mr. Wang Jing was appointed as the chairman and an executive director of the Company. On 26 November 2020, Mr. Wang Jing resigned as the chairman and executive director of the Company.

On 9 April 2020, the Company's officially registered English name was changed from "Dafy Holdings Limited" to "Steering Holdings Limited" and its Chinese name from "達飛控股有限公司" to "旭通控股有限公司". The stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "DAFY HOLDINGS" to "STEERING HLDGS" in English and from "達飛控股" to "旭通控股" in Chinese with effect from 11 May 2020. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the provision of building consultancy services, contracting business, project management, and provision of financial information and technology services to individuals and credit services providers in the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in Hong Kong Dollar ("**HK$**") to suit the needs of the shareholders and investors. All values are rounded to the nearest thousand except when otherwise stated.

The consolidated financial statements are presented in HK$, which is different from the Company's functional currency of Renminbi ("**RMB**"). The directors of the Company adopted HK$ as presentation currency. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies see out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statements (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The Group incurred a net loss of approximately HK$429,528,000 for the year ended 31 December 2020 and, as of that date, the Group's had net current liabilities of approximately HK$16,819,000. In addition, the Group may be subject to significant late penalties and surcharges related to income tax of financial information and technology services (Note 41).

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to, the followings:

(i) The Company has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group;

(ii) The Group has received a written confirmation dated 1 January 2021 from Mr. Gao, who is a controlling shareholder of the Company through his interest in Gentle Soar Limited, confirming that he will provide financial support to the Group in the following 18 months on a going concern basis. Such assistance to be received by the Group will not be secured by any assets of the Group;

(iii) The Group has taken measures to tighten cost control over expenses, manage and expedite receivables and negotiate a compromise with creditors with a view to achieving positive cash flow from operations; and

(iv) The Group may consider disposing of its loss-making non-core business and/or financial assets if required.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statements (Continued)

Going concern (Continued)

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the Group may have to provide for any further liabilities that might arise (Note 41). The effect of these adjustments has not been reflected in the consolidated financial statements.

The principal accounting policies are set out below.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non- controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable considerations.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the Group under residual value guarantees;

- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences relating to the retranslation of the Company's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so 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 (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and dividend income are recognised in profit or loss and are included in the "other income" line item.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in profit or loss.

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including contract assets, trade and other receivables, pledged bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, retention receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively for other debtors based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

The Group considers that default has occurred when a 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.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and retention receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit rating where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and retention receivables, deposits to a credit services provider and a financial institution, other receivables from a credit service provider and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but continue to be held in the revaluation reserve.

Non-substantial modifications of financial assets

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to a shareholder, bank borrowings and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Related parties

A party is considered to be related to the Group if:

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

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or the Group's parent.

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

- (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
- (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);
- (c) both entities are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(ii) (Continued)

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i);

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

(h) 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 parent of the Group.

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

- that person's children and spouse or domestic partner;

- children of that person's spouse or domestic partner; and

- dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between the Group and a related party, regardless of whether a price is charged.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue and profit recognition of contracting service and contract assets

The Group provides contracting service for alteration and addition works, maintenance, specialist works and new development.

The Group recognises contract revenue and profit of contracting service and contract assets according to the Group's management's estimation of the total outcome of the contracting service contracts as well as the stage of completion of contracting service which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Estimated construction revenue is determined with reference to the terms of the relevant contract.

Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management.

The management is also required to exercise significant judgement in their assessment of the completeness and accuracy of forecasted costs to complete and the ability to deliver contracts within forecasted timescales.

Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised and the contract assets.

As at 31 December 2020, the carrying amount of contract assets in relation to contracting service was approximately HK$95,193,000 (2019: HK$131,132,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment assessment of ECL for trade and retention receivables and contract assets

The Group estimates the amount of lifetime ECL of trade and retention receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade and retention receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and retention receivables and contract assets that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade and retention receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's trade and retention receivables and contract assets are disclosed in Notes 19, 20 and 34b respectively.

Variable considerations in relation to financial information and technology services

The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Management considers the variable considerations in the financial information and technology services being the service fees settled by installments from the borrowers.

The Group estimates the variable considerations separately, for each financial institution and credit service provider. The expected unearned portion of service fees due to default in partial payments are estimated at contract inception based on the expected value method. The expected value of this component is the sum of probability-weighted amounts in a range of possible consideration amounts on a portfolio basis. The factor that affect the expected value include the estimated rate of default in partial payments. The estimated amount of unearned portion of service fees due to borrowers' default partial payments deducted from the gross transaction price for each transaction before allocating the remaining portion of the transaction price to different performance obligations based on their relative estimated selling prices.

As the Group's experience with certain financial institutions and credit service providers that the Group has been cooperated with for a short period of time is limited, the Group considered that it is highly probable that a significant reversal of revenue will be subsequently occurred for the related service fee. Therefore, service fees are recognised only upon the Group received the related service fees from individual users.

The estimate of variable consideration amounts is reassessed at each reporting date. Any subsequent changes in the transaction price are allocated to the performance obligations in the contract on the same basis as at the contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue in the period in which the transaction price changes.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of property, plant and equipment, intangible asset and right-of-use assets

Property, plant and equipment, intangible asset and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2020, the carrying amounts of property, plant and equipment, intangible assets and right-of-use assets subject to impairment assessment were approximately HK$1,908,000, HK$Nil and HK$337,000 (2019:HK$4,079,000, HK$5,763,000 and HK$7,227,000) respectively, after taking into account the impairment losses of approximately HK$1,012,000 , HK$5,225,000 and HK$5,018,000 (2019: HK$Nil, HK$Nil and HK$Nil) in respect of property, plant and equipment, intangible assets and right-of-use assets that have been recognised respectively. Details of the impairment of, property, plant and equipment, intangible assets and right-of-use assets are disclosed in Notes 15A, 15B and 16 respectively.

Fair value measurement of financial instruments

As at 31 December 2020, financial assets at fair value through profit or loss amounting to approximately HK$13,902,000 are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques (2019: HK$24,683,000 are measured at fair value with fair value being determined based quoted market price available on the NEEQ). Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 34c for further disclosures.

5. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

- Contracting business and project management ("**Contracting service**")
- Provision of building consultancy services ("**Consultancy service**")
- Provision of financial information and technology services ("**Financial information and technology service**")

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2020			
	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Types of service				
Contracting service	411,860	–	–	411,860
Consultancy service	–	44,983	–	44,983
Provision of financial information and technology services				
— Pre-loan service	–	–	15,956	15,956
— Post-loan service	–	–	325	325
— Consumer debt management	–	–	736	736
Total	411,860	44,983	17,017	473,860
Geographical markets				
Hong Kong	411,860	44,983	–	456,843
Mainland China	–	–	17,017	17,017
Total	411,860	44,983	17,017	473,860
Timing of revenue recognition				
A point in time	–	–	16,692	16,692
Over time	411,860	44,983	325	457,168
Total	411,860	44,983	17,017	473,860

5. REVENUE AND SEGMENT INFORMATION (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

	For the year ended 31 December 2019			
	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Types of service				
Contracting service	489,053	–	–	489,053
Consultancy service	–	57,689	–	57,689
Provision of financial information and technology services				
— Pre-loan service	–	–	739,906	739,906
— Post-loan service	–	–	6,645	6,645
Total	489,053	57,689	746,551	1,293,293
Geographical markets				
Hong Kong	489,053	57,689	–	546,742
Mainland China	–	–	746,551	746,551
Total	489,053	57,689	746,551	1,293,293
Timing of revenue recognition				
A point in time	–	–	739,906	739,906
Over time	489,053	57,689	6,645	553,387
Total	489,053	57,689	746,551	1,293,293

5. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Performance obligation for contracts with customers

Contracting service

The Group provides contracting services for alteration and addition works, maintenance, specialist works and new development to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these contracting services based on the stage of completion of the contract using the input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 30% of the total contract sum. When the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the contracting services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables within 12 months from the end of the reporting period.

Retention receivables, prior to the expiration of the defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the contracting services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Consultancy service

The Group provides consulting services for alteration and addition works, new development, licensing, building services and architectural design for buildings in Hong Kong. Revenue is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

The Group bills and collects payments from its customers based on the payment schedules stipulated in the consultancy service contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Performance obligation for contracts with customers (Continued)

Financial information and technology service

Pre-loan services and post-loan services

The Group provides financial information and technology services which link up the individual users in the PRC with various financial institutions or credit service providers. The Group also provides post loan management services to the borrowers over the loan period.

The pre-loan service and post-loan service are considered as the two distinct performance obligations to be provided by the Group. The Group does not provide these services separately, and there is no available observable price from providing either of these services. As a result, the Group uses its best estimate of selling prices of these service obligations as the basis for allocating the transaction price.

The transaction price allocated to the pre-loan service is recognised as revenue at a point in time upon execution of loan agreements between lenders and borrowers. When the Group provides post-loan service, the borrowers or lenders simultaneously receive and consume the benefits provided by the Group's performance and the transaction price allocated to the post-loan service is recognised over the term of the loan on a straight-line basis, which approximates the timing of when the underlying services are performed.

For both pre-loan service and post-loan service, the Group generally collects the service fees by installments over the period of the loan after the loan is distributed to the borrowers' bank accounts. Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide financial information and technology services to the borrowers. The Group's rights to the consideration for the pre-loan service performed are conditioned on the Group's future performance of the post-loan service and therefore, contract assets are recognised. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. by the end of the loan period.

In some cases, the Group is required to pay a deposit to financial institutions or credit service providers, which is based on a fixed percentage of the amounts of loans distributed to borrowers through the relevant financial institution or credit service provider. The deposit will be released upon the maturity of the relevant loans. In addition, the Group may make a payment to financial institutions or credit service providers as part of the business cooperation between the Group and the financial institution or credit service provider, as appropriate. Terms of such amounts are negotiated on a case-by-case basis. During the years ended 31 December 2020 and 2019, the Group paid amounts of approximately HK$Nil (2019: HK$49,794,000) and of approximately HK$Nil (2019: HK$177,689,000) to a financial institution and a credit service provider respectively, as detailed in Note 20.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Performance obligation for contracts with customers (Continued)

Financial information and technology service (Continued)

Pre-loan services and post-loan services (Continued)

The amount of the services fees is the gross amount of the services fee under a service contract before taking into account the impacts of variable considerations resulting from expected amounts of service fees settled by installments from borrowers due to default in partial payments. The estimated amounts of variable considerations, which are calculated using the expected value method, are deducted from the total transaction price for each service contract.

The Group estimates the variable considerations separately, for each financial institution and credit service provider. The estimate of variable consideration amounts is reassessed at each reporting date. Any subsequent changes in the transaction price are allocated to the performance obligations in the contract on the same basis as at the contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue in the period in which the transaction price changes.

During the years ended 31 December 2020 and 2019, the Group made the assessment of whether any portion of the cumulative consideration is constrained because the promised consideration for the service fee is highly susceptible to factors outside its own influence. The Group determined that the full amount of the service fee of certain financial institutions and credit service providers is constrained and therefore excluded from the transaction price. Although the Group has experience from similar contracts, that experience is not predictive of the outcome of the current contract because the amount of consideration is highly susceptible to volatility in the current market based on the nature of the credit service industry in the region. Therefore, service fees are recognised only upon the Group received the related service fees from individual users. This determination is made each reporting date and could change towards the end of the contract period.

Consumer debt management

Due to the China Banking and Insurance Regulatory Commission officially announced the end of China's internet financial peer-to-peer lending (P2P) sector, leading to the cessation of business of all operating platforms, the financial information and technology services segment of the Group has also been affected by the above factor. In addition, in response to the impact of COVID-19 on the Group's operations, the Group has repositioned its business models by expanding its services to consumer debt management in the second half of 2020.

The Group provides consumer debt management services by setting up a one-stop consumer debt management service platform and acts as a financial intermediary to provide consultancy services to borrowers and credit service providers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a client and excludes amounts collected on behalf of third parties.

Revenue is recognised at a point in time when the service has been performed and the Group has a right to invoice.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue are as follows:

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000
Within one year	**341,024**	**19,549**	**–**
More than one year but not more than two years	**121,292**	**9,329**	**–**
More than two years	**–**	**7,864**	**–**
	462,316	**36,742**	**–**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000
Within one year	399,666	28,582	308
More than one year but not more than two years	130,348	10,747	–
More than two years	37,983	1,640	–
	567,997	40,969	308

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Contracting service

2. Consultancy service

3. Financial information and technology service

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2020

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Segment revenue	**411,860**	**44,983**	**17,017**	**473,860**
Segment (loss)/profit	**(27,141)**	**3,698**	**(307,385)**	**(330,828)**
Unallocated income				**26,615**
Unallocated expenses				**(87,045)**
Loss before tax				**(391,258)**
Other segment information				
Impairment losses under ECL model, net of reversal				
— allocated	**(20,033)**	**–**	**(290,838)**	**(310,871)**
— unallocated	**–**	**–**	**–**	**(228)**
Gain on disposal on subsidiaries	**1,943**	**–**	**–**	**1,943**
Realised gain on financial assets at FVTPL	**–**	**–**	**47**	**47**
Loss from change in fair value of financial assets at FVTPL	**–**	**–**	**(11,918)**	**(11,918)**

5. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2019

	Contracting service HK$'000	Consultancy service HK$'000	Financial information and technology service HK$'000	Total HK$'000
Segment revenue	489,053	57,689	746,551	1,293,293
Segment profit	28,926	14,617	325,097	368,640
Unallocated income				1,397
Unallocated expenses				(155,841)
Profit before tax				214,196
Other segment information				
Impairment losses under ECL model, net of reversal	(2,084)	–	(205,919)	(208,003)
Loss from change in fair value of financial assets at FVTPL	–	–	(8,930)	(8,930)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment (loss)/profit represents the (loss)/profit from each segment before tax without allocation of interest income, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets, impairment losses recognised on property, plant and equipment, right-of-use assets and intangible assets, finance cost, other unallocated income and expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No segment assets and liabilities are regularly provided to the CODM for reviews. Therefore, no analysis of segment assets and segment liabilities is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group principally operates in Hong Kong and the PRC, which are the principal places of domicile of the relevant group entities.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets (excluding equity instruments at FVTOCI and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers Year ended		Non-current assets	
	31 December 2020 HK$'000	31 December 2019 HK$'000	**31 December 2020 HK$'000**	31 December 2019 HK$'000
Hong Kong	**456,843**	546,742	**2,245**	8,102
Mainland China	**17,017**	746,551	**–**	8,967
	473,860	1,293,293	**2,245**	17,069

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020 HK$'000	2019 HK$'000
Customer A[2]	**N/A[1]**	143,026
Customer B[3]	**66,458**	N/A[1]

1 The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year.
2 Revenue from financial information and technology service segment.
3 Revenue from contracting service segment.

No other revenue from transaction with a single external customer amounted to 10% or more of the total revenue of the Group for both years.

6. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Bank interest income	**319**	290
Dividend income	**455**	275
Government grant (note)	**25,312**	–
Others	**529**	832
	26,615	1,397

Note: During the current year, the Group recognised government grants of approximately HK$25,312,000, of which of approximately HK$9,409,000 relates to Employment Support Scheme provided by the Hong Kong government in respect of Covid-19-related subsidies and of approximately RMB13,521,000 (equivalent to HK$15,903,000) relates to grants from government of China.

7. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Net foreign exchange losses	**(2,679)**	(165)
Gain on disposal on subsidiaries	**1,943**	–
Realised gain on financial assets at FVTPL	**47**	–
Loss on disposal of property, plant and equipment	**(138)**	(12)
Loss from change in fair value of financial assets at FVTPL	**(11,918)**	(8,930)
Loss from change in fair value of convertible bonds at FVTPL	**–**	(45,499)
Impairment losses recognised on:		
— Property, plant and equipment	**(1,012)**	–
— Right-of-use assets	**(5,018)**	–
— Intangible assets	**(5,225)**	–
	(24,000)	(54,606)

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020 HK$'000	2019 HK$'000
Impairment losses/(reversal of impairment losses) recognised on:		
— Trade receivables	**114,839**	176,266
— Retention receivables	**8,407**	640
— Other receivables and deposits	**79,851**	–
— Contract assets	**(6,079)**	7,285
— Deposits to a credit service provider and a financial institution	**36,537**	5,212
— Other receivables from a credit service provider	**77,544**	18,600
	311,099	208,003

Details of impairment assessment are set out in Note 34b.

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
— Bank borrowings	**1,362**	2,379
— Bank overdrafts	**19**	38
— Loan interest on advance payment	**287**	–
— Lease liabilities	**265**	580
	1,933	2,997

10. (LOSS)/PROFIT BEFORE TAX

	2020 **HK$'000**	2019 HK$'000
(Loss)/profit before tax has been arrived at after charging:		
Directors' emoluments (Note 11)	**5,175**	5,066
Salaries and other allowances	**93,478**	158,747
Retirement benefit scheme contributions, excluding those of directors	**5,456**	12,873
Total staff costs	**104,109**	176,686
Auditor's remuneration	**2,759**	3,117
Depreciation of property, plant and equipment (Note 15A)	**1,959**	3,020
Amortisation of intangible assets (Note 15B)	**821**	111
Depreciation of right-of-use assets (Note 16)	**9,079**	18,608

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2020

	Directors' fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:				
Ng Kin Siu (chief executive officer)	–	3,465	18	3,483
Feng Xuelian (Note a)	10	1,152	8	1,170
Wang Jing (Note b)	8	–	–	8
Non-executive director:				
Mr. Gao (Note c)	10	–	–	10
Independent non-executive directors:				
Chan Yuk Sang	168	–	–	168
Wan Chi Wai Anthony	168	–	–	168
Lau Kwok Fai Patrick	168	–	–	168
	532	4,617	26	5,175

For the year ended 31 December 2019

	Directors' fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Gao (chairman) (Note c)	10	–	–	10
Ng Kin Siu (chief executive officer)	–	3,465	18	3,483
Feng Xuelian (Note a)	10	672	–	682
Qi Gang (Note d)	–	–	–	–
Lu Xin (Note e)	9	378	–	387
Independent non-executive directors:				
Chan Yuk Sang	168	–	–	168
Wan Chi Wai Anthony	168	–	–	168
Lau Kwok Fai Patrick	168	–	–	168
	533	4,515	18	5,066

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

Notes:

(a) Ms. Feng Xuelian was appointed as the executive director of the Company on 24 January 2019.

(b) Mr. Wang Jing was appointed as the executive director and the chairman of the board of directors of the Company (the "**Board**") on 20 February 2020 and has resigned on 26 November 2020.

(c) Mr. Gao has been re-designated as a non-executive director of the Company on 20 February 2020.

(d) Mr. Qi Gang has resigned as the executive director of the Company on 24 January 2019.

(e) Mr. Lu Xin has resigned as the executive director of the Company on 29 November 2019.

No emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the current and prior years. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the current and prior years.

The Group has been providing accommodation, which is leased from third party, to Mr. Ng Kin Siu for use by him and his family members at no charge. The estimated monetary value of the benefit in kind is approximately HK$859,000 (2019: HK$768,000) during the year ended 31 December 2020. The Group recognised a right-of-use asset of approximately HK$1,405,000 (2019: HK$1,295,000) for the above lease. Depreciation of approximately HK$731,000 (2019: HK$740,000) was charged to profit or loss for the year, impairment of approximately HK$1,229,000 was charged to profit or loss for the year and the carrying amount of the related right-of-use asset as at 31 December 2020 amounted to approximately HK$Nil (2019: HK$555,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid employees of the Group for the year ended 31 December 2020 included two director (2019: one director), details of whose remuneration are set out in Note 11 above.

For the year ended 31 December 2020, the remuneration of the remaining three (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other allowances	**4,002**	4,351
Discretionary bonus	**750**	620
Retirement benefit scheme contributions	**54**	72
	4,806	5,043

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2020 **No. of employees**	2019 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	4
HK$2,000,001 to HK$2,500,000	**1**	–
	3	4

No emoluments were paid by the Group to the top five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office during the current and prior years.

12. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

13. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong	**27**	1,661
PRC Enterprise Income Tax	**922**	131,308
	949	132,969
Under/(over)-provision in respect of prior years:		
Hong Kong	**21**	(42)
	970	132,927
Deferred tax (Note 27)	**37,300**	(35,308)
Income tax expense	**38,270**	97,619

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The Company's subsidiaries that are tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. A reversal of dividend withholding tax of approximately HK$16,912,000 (2019: a provision for dividend withholding tax of approximately HK$16,121,000) was recognised for the year ended 31 December 2020.

Included in the current tax, PRC Enterprise Income Tax of approximately HK$322,000 (2019: HK$131,300,000) arose from ordinary course of business of the financial information and technology service segment of the Group. Reversal of deferred tax of approximately HK$54,316,000 (2019: a provision of approximately HK$51,510,000) in relation to ECL provision was also related to financial information and technology service segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. INCOME TAX EXPENSE (Continued)

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

	2020 HK$'000	2019 HK$'000
(Loss)/profit before tax	(391,258)	214,196
Tax at the applicable income tax rate of 25% (2019: 25%)	(97,815)	53,549
Tax effect of income not taxable for tax purpose	(3,071)	–
Tax effect of expenses not deductible for tax purpose	139,211	19,216
Effect of different tax rate of subsidiaries operating in other jurisdiction	5,697	(815)
Income tax at concessionary rate	–	(165)
Withholding tax on distributable profits of PRC subsidiaries	(16,312)	16,121
Tax effect of tax losses not recognised	10,539	9,743
Under/(over)-provision in respect of prior years	21	(42)
Others	–	12
Income tax expense for the year	38,270	97,619

14. (LOSS)/EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share (loss)/profit attributable to owners of the Company	(245,030)	20,568

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	1,332,000	1,236,110

For the year ended 31 December 2019, the computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds since their assumed exercise would result in an increase in earnings per share.

No diluted loss per share was presented for the year ended 31 December 2020 as there were no potential ordinary shares in issue for the current year.

15A. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
Cost					
As at 1 January 2019	4,681	670	1,293	3,609	10,253
Additions	191	135	1,680	271	2,277
Disposal/written-off	(585)	(3)	–	(5)	(593)
Exchange difference	–	–	–	(6)	(6)
As at 31 December 2019 and 1 January 2020	4,287	802	2,973	3,869	11,931
Additions	515	36	–	397	948
Disposal/written-off	–	(193)	–	(93)	(286)
Exchange difference	–	6	–	20	26
As at 31 December 2020	**4,802**	**651**	**2,973**	**4,193**	**12,619**
Accumulated depreciation and impairment					
As at 1 January 2019	1,453	304	1,049	2,057	4,863
Charged for the year	1,898	123	270	729	3,020
Eliminated on disposals/written off	(26)	(2)	–	(3)	(31)
As at 31 December 2019 and 1 January 2020	3,325	425	1,319	2,783	7,852
Charged for the year	792	89	523	555	1,959
Impairment loss for the year	362	133	–	517	1,012
Eliminated on disposals/written off	–	(57)	–	(69)	(126)
Exchange difference	–	1	–	13	14
As at 31 December 2020	**4,479**	**591**	**1,842**	**3,799**	**10,711**
Carrying amount					
As at 31 December 2020	**323**	**60**	**1,131**	**394**	**1,908**
As at 31 December 2019	962	377	1,654	1,086	4,079

15A. PROPERTY, PLANT AND EQUIPMENT (Continued)

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvements	20% or over the lease term, whichever is shorter
Furniture and fixtures	20%
Motor vehicles	30%
Office equipment	20%

Due to the significant loss in the segment of contracting service and financial information and technology services for the year ended 31 December 2020, the management determined that the recoverable amount of property, plant and equipment based on value in use assessment is minimal , an impairment loss of approximately HK$1,012,000 is recognised.

15B. INTANGIBLE ASSETS

	Risk management and operations management system HK$'000
Cost	
As at 1 January 2019	–
Acquired on acquisition of a subsidiary	5,845
Exchange difference	30
As at 31 December 2019 and 1 January 2020	5,875
Exchange difference	312
As at 31 December 2020	**6,187**
Accumulated amortisation and impairment	
As at 1 January 2019	–
Charged for the year	111
Exchange difference	1
As at 31 December 2019 and 1 January 2020	112
Charged for the year	821
Impairment loss for the year	5,225
Exchange difference	29
As at 31 December 2020	**6,187**
Carrying amount	
As at 31 December 2020	**–**
As at 31 December 2019	5,763

15B. INTANGIBLE ASSETS (Continued)

The above intangible assets are amortised on a straight-line basis over 10 years.

Due to the significant loss in the segment of financial information and technology services for the year ended 31 December 2020, the management determined that the recoverable amount of intangible assets based on value in use assessment is minimal , an impairment loss of approximately HK$5,225,000 (equivalents to RMB4,453,000) is recognised for risk management and operations management system.

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 31 December 2020	
Carrying amount	**337**
As at 31 December 2019	
Carrying amount	7,227
For the year ended 31 December 2020	
Depreciation charge for the year	**9,079**
Impairment loss for the year (Note)	**5,018**
	14,097
For the year ended 31 December 2019	
Depreciation charge	18,608

Note: Due to the significant loss in the segment of contracting service and financial information and technology services for the year ended 31 December 2020, the management determined that the recoverable amount of right-of-use assets based on value in use assessment is minimal , an impairment loss of approximately HK$5,018,000 is recognised.

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Expense relating to short-term leases	**3,411**	859
Total cash outflow for leases	**12,555**	20,302
Additions to right-of-use assets (Note)	**7,365**	1,390
Termination to right-of-use assets	**88**	–
Disposal of a subsidiary	**216**	–

Note: Amount includes right-of-use assets resulting from new leases entered and lease modification during the year.

16. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases various offices and car parks for its operations. Lease contracts are entered into for fixed term of 3 months to 2 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for car parks and office. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense as disclosed above.

17. EQUITY INSTRUMENTS AT FVTOCI

	2020 **HK$'000**	2019 HK$'000
Listed investments		
— Equity securities listed in Hong Kong (Note)	**18,457**	19,697

Note: The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading; instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

18. FINANCIAL ASSETS AT FVTPL

	2020 **HK$'000**	2019 HK$'000
Equity securities listed in the PRC (Note)	**13,902**	24,683

Note: The equity securities were issued by a listed company in the PRC and suspended from trading on 2 July 2020. The fair value of the equity securities are determined based on the valuation under market approach performed by Vincorn Consulting and Appraisal Limited, a firm of independent qualified valuers (2019: quoted market price available on the National Equities Exchange and Quotations ("**NEEQ**").

Detailed information about the valuation techniques and inputs used in the determination of the fair value of listed equity securities is disclosed in Note 34c.

19. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Contracting service (Note)	**95,193**	131,132
Financial information and technology service	–	9,935
	95,193	141,067

Note: As at 31 December 2020, contract assets of approximately HK$4,475,000 (2019: HK$13,675,000) were due from a related party, Land Ease Limited ("**Land Ease**"), a company wholly-owned by Mr. Ng Kin Siu.

As at 31 December 2020, included in contract assets was retention held by customers for contract works amounting to approximately HK$37,295,000 (2019: HK$40,970,000), in which approximately HK$$4,475,000 (2019: HK$9,675,000) was retention held by Land Ease. The retention money was expected to be recovered or settled in within twelve months from the end of the reporting period.

As at 1 January 2019, contract assets amounted to approximately HK$163,451,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are set out in Note 5.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment are set out in Note 34b.

20. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables (Note a)	361,885	390,031
Less: allowance for ECL	(292,513)	(178,285)
	69,372	211,746
Retention receivables (Note b)	16,086	21,662
Less: allowance for ECL	(2,381)	(689)
	13,705	20,973
Other receivables, deposits and prepayments		
— Deposits to a credit service provider and a financial institution (Note c)	52,472	49,794
Less: allowance for ECL	(42,198)	(5,212)
	10,274	44,582
— Other receivables from a credit service provider (Note d)	126,727	177,689
Less: allowance for ECL	(97,537)	(18,600)
	29,190	159,089
— Other receivables	122,901	25,275
Less: allowance for ECL (Note e)	(80,097)	–
	42,804	25,275
— Prepayment	56,349	43,882
— Sundry deposits	3,790	4,917
— Accounts receivables in custodian (Note f)	825	1,688
	60,964	50,487
	226,309	512,152

20. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) Of the trade receivables as at 31 December 2020, approximately HK$1,612,000 (2019: HK$20,711,000) were due from Land Ease. The trade receivables due from Land Ease as at 31 December 2020 and 2019 were all aged within 30 days, based on certificate/invoice dates.

(b) Retention money in relation to completed projects of approximately HK$13,470,000 (2019: HK$11,440,000) was unbilled as at 31 December 2020. The Group has an unconditional right to the payment of the unbilled retention receivables which is expected to be billed within 12 months from the end of the reporting period. Of the retention receivables as at 31 December 2020, approximately HK$4,475,000 (2019: HK$Nil) were due from Land Ease.

(c) During the year ended 31 December 2019, the Group paid deposits of approximately RMB35,735,000 (equivalent to approximately HK$39,946,000) and RMB8,804,000 (equivalent to approximately HK$9,848,000) to a credit service provider and a financial institution, respectively. Both parties are independent to the Group. The deposits were calculated based on a fixed percentage of the amounts of loans distributed to the borrowers through the credit service provider or the financial institution. The deposits will be released upon the maturity of the relevant loans. The loans periods are within 3 months to 1 year. As at 31 December 2020, the carrying amount of the deposits was approximately HK$10,274,000 (2019: HK$44,582,000), net of allowance of ECL of approximately HK$42,198,000 (2019: HK$5,212,000).

(d) During the year ended 31 December 2019, the Group provided an amount of approximately RMB158,929,000 (equivalent to approximately HK$177,689,000) to a credit service provider, which is independent to the Group, as part of the business cooperation between the Group and the credit service provider. The amount is unsecured, interest-free and repayable on demand. As at 31 December 2020, the carrying amount of the other receivables was approximately HK$29,190,000 (2019: HK$159,089,000), net of allowance of ECL of approximately HK$97,537,000 (2019: HK$18,600,000).

(e) Of the other receivables as at 31 December 2020, gross carrying amount of approximately HK79,528,000 arose from payments amounting to RMB67,504,000 made by the Group to agents in relation to the financial information and technology services business of the Group. Full impairments loss under ECL model of approximately HK$79,528,000 was provided during the year ended 31 December 2020.

(f) Balance represents revenue collected by the custodian on behalf of the Group for service fees earned from individual borrowers in the financial information and technology service business. The balance will be transferred back to the bank accounts of the Group upon the Group's instructions.

The Group allows a credit period ranging from 0 to 90 days to its customers. The following is an aged analysis of the Group's trade receivables net of allowance for ECL presented based on certificate/invoice dates:

	2020 **HK$'000**	2019 HK$'000
Trade receivables:		
1–30 days	**28,489**	86,595
31–60 days	**15,133**	25,316
61–90 days	**2,568**	20,307
91–180 days	**14,101**	47,130
Over 180 days	**9,081**	32,398
	69,372	211,746

20. TRADE AND OTHER RECEIVABLES (Continued)

	2020 HK$'000	2019 HK$'000
Receivables in relation to billed retention money:		
1–30 days	–	1,446
31–60 days	34	147
61–90 days	–	–
91–180 days	33	22
Over 180 days	168	7,918
	235	9,533

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$29,549,000 (2019: HK$133,305,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$12,765,000 (2019: HK$38,027,000) have been past due 90 days or more and are not considered as in default due to the long-term/on-going relationship with and good repayment record of these customers. The Group does not hold any collateral over these balances.

Details of the impairment assessment are set out in Note 34b.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2020, deposits amounting to approximately HK$25,583,000 (2019: HK$36,316,000) have been pledged to banks to secure banking facilities granted to the Group and guarantee line for issuing surety bonds (see Note 30). The bank balances and cash comprise cash held by the Group, bank balances and short-term bank deposits with an original maturity of three months or less. The pledged bank deposit/bank balances carry interest at market rates which are as follows:

	2020	2019
Range of interest rates per annum:		
Pledged bank deposits	0.300% to 2.970%	0.100% to 1.635%
Bank balances	0.001% to 0.010%	0.001% to 0.010%

Included in the cash and bank balances at the end of the reporting period were amounts in RMB of approximately HK$7,696,000 (2019: HK$130,491,000) which are not freely convertible into other currencies.

Details of impairment assessment of pledged bank deposits and bank balances are set out in Note 34b.

22. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**36,405**	147,789
Retention payables (Note a)	**45,303**	46,600
Accrued subcontracting charges	**80,745**	58,087
Accrued operating expenses (Note b)	**54,876**	45,278
Withholding tax payable related to divided payable to non-controlling shareholder of a subsidiary	**2,386**	–
Dividend payable to non-controlling shareholder of a subsidiary (Note c)	**9,544**	–
	229,259	297,754

Notes:

(a) In accordance with the normal practice of the industry, a certain percentage of contract sums is usually withheld by the Group as retention money for a period of one to two years after the work of subcontractors has been completed.

(b) Included in the balance as at 31 December 2020, is an amount due to 達飛雲貸科技(北京)有限公司 (Dafy Yundai Technology (Beijing) Co., Ltd.) ("**Dafy Yundai**") of approximately HK$6,524,000 (2019: HK$2,114,000). This related company is controlled by Mr. Gao for license fee payable and rental deposit refund received by the Group on behalf of Dafy Yundai to this related company.

Included in the balance as at 31 December 2020, is an amount due to 深圳達飛科技控股有限公司 (Shenzhen Dafy Technology Holding Co., Ltd.) ("**Shenzhen Dafy**") of approximately HK$7,106,000 (2019: HK$6,747,000) for the purchase of a risk management and operations management system from Shenzhen Dafy and other operating expenses paid by Shenzhen Dafy on behalf of the Group.

(c) Included in the balance as at 31 December 2020, is a dividend payable to non-controlling shareholder of a subsidiary, 上饒市紅淼信息科技有限公司 of approximately HK$9,544,000 (equivalents to RMB8,101,000) for declared dividends for the years ended 31 December 2018 and 2019.

The credit period on trade payables is 0 to 30 days.

An aged analysis of the Group's trade payables based on invoice dates at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Trade payables:		
1–30 days	**24,202**	61,531
31–60 days	**574**	23,374
61–90 days	**132**	27,288
Over 90 days	**11,497**	35,596
	36,405	147,789

23. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Deposits from customers	**31,731**	36,594
Advances from customers (Note)	**–**	1,029
	31,731	37,623

As at 1 January 2019, contract liabilities amounted to approximately HK$13,875,000.

Note: Advances from customers are unsecured and interest-free and will be set off against progress billings.

The following table shows how much of the revenue recognised in the current and prior years relates to carried-forward contract liabilities:

	2020 HK$'000	2019 HK$'000
Revenue recognised in contracting service that was included in the contract liabilities balance at the beginning of the respective years	**1,977**	8,504

Typical payment terms which impact the amount of contract liabilities recognised are as set out in Note 5.

24. AMOUNTS DUE TO A SHAREHOLDER

The amount is unsecured, interest-free and repayable within one year from the end of the reporting period.

25. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**3,994**	6,818
Within a period of more than one year but not more than two years	**1,462**	425
Within a period of more than two years but not exceeding five years	**52**	–
	5,508	7,243
Less: Amount due for settlement with 12 months shown under current liabilities	**(3,994)**	(6,818)
Amount due for settlement after 12 months shown under non-current liabilities	**1,514**	425

The weighted average incremental borrowing rate applied is 4.5% per annum (2019: 4.5% per annum).

26. BANK BORROWINGS

The variable-rate secured bank borrowings are repayable as follows:

	2020 HK$'000	2019 HK$'000
Carrying amount of bank borrowings that are repayable on demand or within one year	**6,500**	52,600

As at 31 December 2020 and 2019, the Group entered into various borrowings with the banks, mainly to finance its business operations. Such borrowings had been secured by the pledged bank deposits (see Note 21).

As at 31 December 2020, the Group's variable-rate bank borrowings are all denominated in HK$ (2019: HK$) and carried at interest rates of Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.75% per annum (2019: ranging from HIBOR plus 2.7% to HIBOR plus 3% per annum).

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follow:

	2020	2019
Variable-rate per annum:		
Bank borrowings	**2.97%**	5.39%–5.69%

27. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 **HK$'000**	2019 HK$'000
Deferred tax assets	**3**	51,780
Deferred tax liabilities	**(56)**	(16,278)
	(53)	35,502

The following is the major deferred tax liabilities and assets recognised by the Group and movements thereon:

	PRC withholding tax on distributable profits HK$'000	**Accelerated tax depreciation** HK$'000	**ECL provision** HK$'000	**Total** HK$'000
As at 1 January 2019	–	(76)	270	194
(Charged)/credited to profit or loss (Note 13)	(16,121)	(81)	51,510	35,308
As at 31 December 2019 and 1 January 2020	(16,121)	(157)	51,780	35,502
Credited/(Charged) to profit or loss (Note 13)	16,912	104	(54,316)	(37,300)
Exchange difference	(791)	–	2,536	1,745
As at 31 December 2020	**–**	**(53)**	**–**	**(53)**

At the end of the reporting period, the Group has unused tax losses of approximately HK$81,127,000 (2019: HK$38,972,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will be expired on or before 2025 (2019: 2024).

28. SHARE CAPITAL

	Number of Shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	4,000,000,000	40,000
Issued and fully paid:		
At 1 January 2019	1,232,000,000	12,320
Shares issued upon exercise of convertible bonds (Note 31)	100,000,000	1,000
At 31 December 2019, 1 January 2020 and 31 December 2020	1,332,000,000	13,320

29. RETIREMENT BENEFIT PLANS

The Group participates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes monthly to the MPF Scheme at the lower of 5% of relevant payroll costs, or HK$1,500 per month for each employee, which contribution is matched by employees.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

30. SURETY BONDS

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for performance of contract works in the form of surety bonds and secured by pledged bank deposits (see Note 21). In addition, the Group provided a counter-indemnity to the financial institutions that issue such surety bonds.

As at 31 December 2020, the outstanding amount of surety bonds of the Group was approximately HK$33,178,000 (2019: HK$40,208,000).

31. CONVERTIBLE BONDS

On 1 August 2019, the Company and an independent third party, South China Securities Limited (the "**Placing Agent**") entered into a placing agreement, pursuant to which the Placing Agent has conditionally agreed to use its reasonable endeavours to procure placees to subscribe for the convertible bonds ("**Convertible Bonds**") in an aggregate principal amount of up to HK$80,000,000 at the initial conversion price of HK$0.80 with a term of six months after the completion of the placing (the "**Maturity Date**"). The completion of placing took place on 30 August 2019. The placing has been successfully placed to one placee, Pop Reach Limited ("**Pop Reach**"), a company incorporated in the British Virgin Islands with limited liability and is independent to the Group.

The Convertible Bonds bear coupon interest at the rate of 8% per annum from and including the issue date payable every six months following the issue date or upon the redemption of the Convertible Bonds, whichever is earlier. The Convertible Bonds will, in respect of the conversion rights attached thereto which are not yet exercised, cease to bear interest on the earlier of (a) its conversion date subject to conversion of the Convertible Bonds; and (b) on the repayment in full of the outstanding principal amount on the Maturity Date.

The Convertible Bonds are exercisable for the period commencing on the next business day after the issue date and ending on the date that falls on the 10th day immediately before the Maturity Date, both dates inclusive (the "**Conversion Period**"). Convertible Bonds are converted into duly authorised, validly issued, fully-paid and unencumbered shares at the option of the holder thereof at any time during the Conversion Period.

On 11 December 2019, the Company received a notice of conversion from Pop Reach in relation to the exercise of conversion rights attaching to the Convertible Bonds in the principal amount of HK$80,000,000, representing the entire outstanding principal amount under the Convertible Bonds, at the conversion price of HK$0.8 per share. On 17 December 2019, the Company allotted and issued 100,000,000 shares to Pop Reach.

The Convertible Bonds are designated as at FVTPL, any changes in fair value are recognised in profit or loss, except for the amount of change in the fair value that is attributable to change in the credit risk, if any, is recognised in other comprehensive income.

Black-Scholes model was adopted in determining the fair value of Convertible Bonds. Key valuation inputs used in Black-Scholes model to determine the fair value of Convertible Bonds at the respective dates were as follows:

	As at 30 August 2019	**As at 17 December 2019**
Time to maturity (year)	0.5	0.2
Share price	HK$0.87	HK$1.22
Dividend yield	0%	0%
Share price volatility	66.72%	62.96%
Risk free rate	2.30%	2.40%
Exercise price	HK$0.80	HK$0.80

During the year ended 31 December 2019, loss from change in fair value of Convertible Bonds of approximately HK$45,499,000 was recognised in profit or loss.

32. RELATED PARTY DISCLOSURES

(a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties:

	2020 HK$'000	2019 HK$'000
Shenzhen Dafy (Note a)		
License fee in respect of risk management and operations management system	**–**	910
Purchase of risk management and operations management system	**–**	6,713
Dafy Yundai (Note a)		
License fee in respect of hardware and software system	**2,159**	2,104
Land Ease (Note b)		
Contracting service income	**19,889**	99,935
深圳前海微遠至誠運營管理科技有限公司 (Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd.) ("**OPCO**") (Note c)		
License fee in respect of risk management and operations management system	**–**	595

Notes:

(a) The company is controlled by Mr. Gao.

(b) The company is controlled by Mr. Ng Kin Siu.

(c) The amount disclosed above represented license fee paid by the Group to OPCO for the use of risk management and operations management system for the period from 1 June 2019 to 9 September 2019. Since 10 September 2019, the Group acquired the system through obtaining control over OPCO and considered as acquisition of assets through acquisition of a subsidiary.

During the year ended 31 December 2019, the Group provided financial information and technology services which link up individual users in the PRC to obtain financing from the investors who have registered on the electronic funding platforms of Mr. Gao and his spouse, such cooperation was terminated since July 2019.

(b) Compensation of key management personnel

The directors are identified as key management members of the Company, and their compensation during the years ended 31 December 2020 and 2019 were set out in Note 11.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior years.

The capital structure of the Group consists of net debts, which includes bank borrowings disclosed in Note 26 and amounts due to a shareholder disclosed in Note 24, net of cash and cash equivalents and equity, comprising paid in capital and reserves.

34. FINANCIAL INSTRUMENTS

34a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	**219,391**	676,470
Equity instruments at FVTOCI	**18,457**	19,697
Financial assets at FVTPL	**13,902**	24,683
	251,750	720,850
Financial liabilities		
Financial liabilities at amortised cost	**251,287**	373,100

34b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, financial assets at FVTPL, trade and other receivables, pledged bank deposits, bank balances, trade and other payables, amounts due to a shareholder, bank borrowings, and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 25 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and pledged bank deposits and HIBOR arising from bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The directors of the Company consider that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances and pledged bank deposits and HIBOR on bank borrowings is minimal. Accordingly, no sensitivity analysis is prepared and presented.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI and FVTPL. The Group's equity price risk is mainly concentrated on equity instruments in bank or financial institution industry sector which listed in the Stock Exchange and NEEQ.

As the equity securities measured at FVTPL had been suspended from trading on 2 July 2020, it is not meaningful to present the sensitivity analysis for the relevant equity securities as at 31 December 2020.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. The sensitivity rate is 53% (2019: 68%) and Nil (2019: 14%), respectively on equity securities at FVTOCI and equity securities at FVTPL in current year as a result of the volatile financial market.

If the price of the equity securities measured at FVTOCI had been 53% (2019: 68%) higher/lower, the other comprehensive income for the year ended 31 December 2020 would increase/decrease by approximately HK$9,782,000 (2019: other comprehensive loss would decrease/increase by approximately HK$13,394,000) as a result of the changes in fair value of equity instruments at FVTOCI.

If the price of the equity securities measured at FVTPL had been 14% higher/lower, the post-tax profit for the year ended 31 December 2019 would increase/decrease by approximately HK$3,456,000 as a result of the changes in fair value of financial assets at FVTPL.

Foreign exchange risk

The functional currency of the Company and its subsidiaries is HKD and RMB in which most of their transactions are denominated. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limited as much as possible the amount of its foreign currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. In addition, the Group's foreign exchange position is monitored on an ongoing basis in order to minimise the impact from the fluctuation of foreign currency rate. The Group currently does not maintain a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The management considers the foreign exchange exposure does not have a significant risk to the Group, no sensitivity analysis is presented.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, contract assets, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

Except for equity instruments at FVTOCI and financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade and retention receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount trade debt at the end of the reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2020 on the trade and retention receivables from the Group's five major customers amounting to approximately HK$30,779,000 (2019: HK$94,341,000) and accounted for 37% (2019: 41%) of the Group's total trade and retention receivables. In the opinion of the directors of the Company, the major customers of the Group are reputable organisation in the market. The directors of the Company consider that the credit risk is limited in this regard.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Credit-impaired debtors are assessed for impairment individually, the remaining trade and retention receivables and contract assets are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. During the year ended 31 December 2020, net impairment losses of approximately HK$123,246,000 and reversal of HK$6,079,000 (2019: HK$176,906,000 and HK$7,285,000) are recognised for trade and retention receivables and contract assets, respectively. Details of the quantitative disclosures are set out below in this note.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables and deposits

The directors of the Company estimate the loss rates of deposits to a credit service provider and a financial institution and other receivables from a credit service provider based on historical credit loss experience of these counterparties as well as other factors, including the operation scale and business performance of these counterparties. For the remaining other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of these receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group provided impairment based on 12m ECL for these other receivable and deposits that the directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and based on lifetime ECL for these other receivable and deposits which had significant increase in credit risk or credit-impaired during the year.

For the year ended 31 December 2020, impairment losses of approximately HK$36,537,000 and HK$77,544,000 (2019: HK$5,212,000 and HK$18,600,000) are recognised for deposits to a credit service provider and a financial institution and other receivables from a credit service provider, respectively.

For the year ended 31 December 2020, impairment losses of approximately HK$79,851,000 are recognised for the remaining other receivables and deposits. (2019: the Group assessed the ECL for the remaining other receivables and deposits were insignificant and thus no loss allowance was recognised).

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances is considered to be insignificant.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and have past-due amounts that are less than 30 days as at the reporting date	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2020 HK$'000	Gross carrying amount 2019 HK$'000
Financial assets at amortised costs					
Trade and retention receivables	N/A	Note 1	Lifetime ECL (not credit-impaired) (provision matrix)	**85,245**	251,421
	N/A	Loss	Credit-impaired	**292,726**	160,272
				377,971	411,693
Other receivables and deposits	N/A	Low risk	12m ECL	**48,056**	259,363
	N/A	Doubtful	Lifetime ECL (not credit-impaired)	**173,599**	–
	N/A	Loss	Credit-impaired	**85,128**	–
				306,783	259,363
Bank balances	Baa2 to A1	N/A	12m ECL	**23,848**	170,884
Pledged bank deposit	Baa2 to A1	N/A	12m ECL	**25,583**	36,316
Other item					
Contract assets	N/A	Note 1	Lifetime ECL (not credit-impaired) (provision matrix)	**96,446**	148,921

Note 1:

For trade and retention receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix — internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade and retention receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Credit-impaired debtors with gross carrying amount of approximately HK$292,726,000 (2019: HK$160,272,000) were assessed individually based on the recoverability with reference to time overdue and repeated attempts made by the Group including but not limited to issuance of demand letters and legal actions taken by the Group.

Gross carrying amount

Internal credit rating	2020 Average loss rate	2020 Trade and retention receivables HK$'000	2020 Contract assets HK$'000	2019 Average loss rate	2019 Trade and retention receivables HK$'000	2019 Contract assets HK$'000
Low risk	**1.30%**	**48,755**	**96,446**	0.49%	88,096	131,727
Watch list	**4.19%**	**36,490**	**–**	10.51%	163,325	–
Doubtful	**–**	**–**	**–**	42.22%	–	17,194
		85,245	**96,446**		251,421	148,921

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade and retention receivables are a reasonable approximation of the loss rates for contract assets.

During the year ended 31 December 2020, the Group recognised impairment allowance of approximately HK$7,135,000 and HK$1,867,000 (2019: HK$17,770,000 and HK$7,285,000) and reversed approximately HK$896,000 and HK$7,946,000) impairment allowance (2019: HK$1,136,000 and HK$Nil) for trade and retention receivables and contract assets respectively, based on the provision matrix. Impairment allowance of approximately HK$117,007,000 (2019: HK$160,272,000) were made on credit-impaired trade and retention receivables.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and retention receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	2,068	–	2,068
Impairment loss recognised	17,770	160,272	178,042
Impairment loss reversed	(1,136)	–	(1,136)
As at 31 December 2019 and 1 January 2020	18,702	160,272	178,974
Transfer to credit-impaired	(22,404)	22,404	–
Impairment loss recognised	7,135	117,007	124,142
Impairment loss reversed	(896)	–	(896)
Write-offs	–	(15,956)	(15,956)
Exchange difference	(369)	8,999	8,630
As at 31 December 2020	**2,168**	**292,726**	**294,894**

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2019	569
Impairment loss recognised	7,285
As at 31 December 2019 and 1 January 2020	7,854
Impairment loss recognised	1,867
Impairment loss reversed	(7,946)
Write-offs	(878)
Exchange difference	356
As at 31 December 2020	**1,253**

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following tables show reconciliation of ECL that has been recognised for other receivables and deposits:

	12m ECL HK$'000	Lifetime ECL (non credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	–	–	–	–
Impairment loss recognised	23,812	–	–	23,812
As at 31 December 2019 and 1 January 2020	23,812	–	–	23,812
Transfer to non credit-impaired	(24,020)	24,020	–	–
Transfer to credit-impaired	(1,086)	–	1,086	–
Impairment loss recognised	635	109,589	83,708	193,932
Exchange difference	1,296	527	334	2,157
As at 31 December 2020	**637**	**134,136**	**85,128**	**219,901**

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	Repayable in 1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying value HK$'000
As at 31 December 2020					
Trade and other payables	–	226,873	–	226,873	226,873
Amounts due to a shareholder	–	12,406	–	12,406	12,406
Variable-rate bank borrowings	2.97	6,500	–	6,500	6,500
Financial guarantee contract (Note)	–	33,178	–	33,178	–
Lease liabilities	4.5	4,156	1,538	5,694	5,508
		283,113	1,538	284,651	251,287

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	Repayable in 1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying value HK$'000
As at 31 December 2019					
Trade and other payables	–	297,754	–	297,754	297,754
Amounts due to a shareholder	–	15,503	–	15,503	15,503
Variable-rate bank borrowings	5.48	52,600	–	52,600	52,600
Financial guarantee contract (Note)	–	40,208	–	40,208	–
Lease liabilities	4.5	7,125	464	7,589	7,243
		413,190	464	413,654	373,100

Note: Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for performance of contract works in the form of surety bonds (see Note 30). The amount included above for financial guarantee contract represented the amount of counter-indemnity the Group provided to the financial institutions that issue such surety bonds.

34. FINANCIAL INSTRUMENTS (Continued)

34b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table (Continued)

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 3 months" time band in the below maturity analysis. As at 31 December 2020 and 2019, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$6,514,000 and HK$52,775,000 respectively. Taking into account the Group's consolidated financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Weighted average effective interest rate	Repayable on demand or less than 3 months	Total undiscounted cash flows	Total carrying value
	%	HK$'000	HK$'000	HK$'000
As at 31 December 2020				
Bank borrowings — variable rate	2.97	6,514	6,514	6,500
As at 31 December 2019				
Bank borrowings — variable rate	5.48	52,775	52,775	52,600

34. FINANCIAL INSTRUMENTS (Continued)

34c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs and sensitivity
	2020 **HK$'000**	2019 HK$'000			
Listed equity securities at FVTOCI	**18,457**	19,697	Level 1	Quoted bid price in active market	N/A
Listed equity securities at FVTPL	**13,902**	24,683	Level 3 (2019: Level 2)	Market approach (2019: Quoted bid price in NEEQ)	Adjusted price-to-book ratio: 0.693 times (Note 1) Discount rate for lack of marketability: 15.80% (Note 2)

Notes:

1. A 1% increase/decrease in the adjusted price-to-book ratio holding all other variables constant would decrease/increase the carrying amount of the financial assets at FVTPL by approximately HK$1,183,000.

2. A 1% increase/decrease in the discount rate for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the financial assets at FVTPL by approximately HK$222,000.

Except for listed equity securities at FVTPL set out below, there were no transfers between instruments in Level 1 and 2, or transfer into or out of level 3 during the year.

The Group owns 9.98% equity interest of the PRC listed company that is classified as financial assets at FVTPL and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2020 amounts to approximately HK$13,902,000 (2019: HK$24,683,000). The fair value of the investment as at 31 December 2019 was determined based on a published price quotation available on the NEEQ and was classified as Level 2 of the fair value hierarchy. As the PRC listed company suspended from trading on 2 July 2020, the fair value of the investment as at 31 December 2020 was measured using a valuation technique with significant unobservable inputs and hence was reclassified as Level 3 of the fair value hierarchy.

34. FINANCIAL INSTRUMENTS (Continued)

34c. Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

Reconciliation of Level 3 fair value measurements

	Listed equity securities at FVTPL HK$'000
As at 1 January 2019, 31 December 2019 and 1 January 2020	–
Transfers into level 3	25,867
Fair value loss in profit or loss	(11,918)
Exchange difference	(47)
As at 31 December 2020	**13,902**

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable included in trade and other payable HK$'000	Bank borrowings HK$'000 (Note 26)	Amounts due to a shareholder HK$'000 (Note 24)	Lease liabilities HK$'000 (Note 25)	Convertible bonds HK$'000 (Note 31)	Total HK$'000
Aa at 1 January 2019	–	53,400	52,355	24,716	–	130,471
Financing cash flows	(2,417)	(800)	(36,852)	(19,443)	80,000	20,488
Interest expenses (Note 9)	2,417	–	–	580	–	2,997
New leases entered	–	–	–	1,390	–	1,390
Shares issued upon exercise of Convertible bonds	–	–	–	–	(80,000)	(80,000)
As at 31 December 2019 and 1 January 2020	–	52,600	15,503	7,243	–	75,346
Financing cash flows	(1,668)	(46,100)	(3,616)	(9,144)	–	(60,528)
Disposal of a subsidiary	–	–	–	(212)	–	(212)
Interest expenses (Note 9)	1,668	–	–	265	–	1,933
New leases entered/lease modification	–	–	–	7,296	–	7,296
Leases termination	–	–	–	(88)	–	(88)
Exchange adjustments	–	–	519	148	–	667
As at 31 December 2020	**–**	**6,500**	**12,406**	**5,508**	**–**	**24,414**

36. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme (the "**Scheme**") adopted for a period of 10 years on, and commenced from, 16 September 2015 for the primary purpose of providing incentives to directors, eligible employees, consultant or adviser of the Group, the directors, employees, consultant or adviser of the Group may, at the discretion of the directors, be granted options (the "**Options**") to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 7 days after the date of grant. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion.

No options have been granted since its adoption.

37. DISPOSAL OF SUBSIDIARIES

FDB Facade

On 20 August 2020, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of FDB Facade, a direct wholly-owned subsidiary of the Company, which is principally engaged in the provision of design, supply and installation services for facade works and curtain wall work solutions at a consideration of approximately HK$5,654,000. The disposal was completed on 30 December 2020.

Consideration received:	HK$'000
Cash received	520
Deferred cash consideration (Note)	5,134
Total consideration received	5,654

Analysis of assets and liabilities over which control was lost:	HK$'000
Right-of-use assets	216
Contract assets	9,390
Trade and other receivables	3,805
Tax recoverable	315
Bank balances and cash	207
Trade and other payables	(8,359)
Lease liabilities	(212)
Net assets disposed of	5,362
Gain on disposal of a subsidiary:	
Consideration received and receivable	5,654
Net assets disposed of	(5,362)
Gain on disposal	292
Net cash inflow arising on disposal:	
Cash consideration received	520
Less: bank balances and cash disposed of	(207)
	313

Note: The deferred consideration was fully settled in cash by the purchaser on 18 February 2021.

37. DISPOSAL OF SUBSIDIARIES (Continued)

Unicon Asia Limited

On 20 August 2020, the Group entered into a sale and purchase agreement to dispose fifty-one (51) ordinary shares of par value HK$1.00 in the share capital of Unicon Asia Limited, an indirect non-wholly-owned subsidiary of the Company, which is principally engaged in the provision of supply and install services of piling connectors on steel casting and the supply of drilling tools at a consideration of approximately HK$1,001,000. The disposal was completed on 30 November 2020.

Consideration received:	HK$'000
Cash received	93
Deferred cash consideration (Note)	908
Total consideration received	1,001

Analysis of assets and liabilities over which control was lost:	HK$'000
Contract Assets	427
Trade and other receivables	1,120
Bank balances and cash	2,090
Contract liabilities	(876)
Trade and other payables	(3,996)
Tax payable	(40)
Net liabilities disposed of	(1,275)
Gain on disposal of a subsidiary:	
Consideration received and receivable	1,001
Net liabilities disposed of	1,275
Non-controlling interest	(625)
Gain on disposal	1,651
Net cash outflow arising on disposal:	
Cash consideration received	93
Less: bank balances and cash disposed of	(2,090)
	(1,997)

Note: The deferred consideration was fully settled in cash by the purchaser on 25 February 2021.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

38.1 General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place and date of incorporation/ operation	Equity interest attributable to the Company 2020	2019	Issued and fully paid share capital/registered capital	Principal activities
FDB & Associates Limited*	BVI/Hong Kong 25 February 2015	**100%**	100%	Ordinary share USD 1	Investment holding
Fruit Design	Hong Kong 7 December 2006	**100%**	100%	Ordinary shares HK$28,100,000	Contracting business and provision of building consultancy services
Win Lee Building	Hong Kong	**100%**	100%	Ordinary shares HK$1,000,000	Contracting business and project management mainly for property refurbishment and renovation
FDB Facade	Hong Kong 25 April 2014	**–%**	100%	Ordinary shares HK$3,000,000	Contracting business and projects management
上海飛毓科技有限公司 (Shanghai Faye Yu Technology Company Limited) ("**Shanghai Faye Yu**")	The PRC 13 April 2018 (Note 2)	**100%**	100%	Registered RMB$5,000,000	Provision of computer information network, electronic technology development consulting and advertising
上饒市紅淼信息科技有限公司 ("**上饒紅淼**") (formerly known as 上饒市達飛金融信息服務有限公司) (Note 1)	The PRC 12 June 2018 (Note 3)	**51%**	51%	Registered RMB$100,000,000	Financial information and technology service
深圳雲達飛科技有限公司	The PRC 18 September 2018 (Note 4)	**51%**	51%	Registered RMB$10,000,000	Cost Centre
北京雲揚達飛科技有限公司	The PRC 3 August 2018	**51%**	51%	Registered RMB$10,000,000	Cost Centre
深圳和事佬智能科技有限公司 (Note 5)	The PRC 11 June 2020	**80%**	–	Registered RMB$10,000,000	Financial information and technology service

* Directly held by the Company

Note 1: During the year ended 31 December 2019, the non-controlling shareholder contributed capital injection of approximately HK$43,441,000 to 上饒紅淼.

During the year ended 31 December 2020, the Group contributed capital injection of approximately HK$730,000 to 上饒紅淼.

Note 2: Wholly foreign-owned enterprise registered in the PRC.

Note 3: Sino-foreign equity joint venture.

Note 4: Limited liability company.

Note 5: During the year ended 31 December 2020, the non-controlling shareholder contributed capital injection of approximately HK$274,000 to 深圳和事佬智能科技有限公司.

None of the subsidiaries had issued any debt securities at the end of the year.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

38.2 Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place and date of incorporation/ operation	Proportion of equity interest and voting rights held by the non-controlling interests At 31 December 2020	2019	(Loss)/profits allocated to non-controlling interests 2020 HK$'000	2019 HK$'000	Accumulated non-controlling interests 2020 HK$'000	2019 HK$'000
上饒紅淼	The PRC 12 June 2018	**49%**	49%	**(146,804)**	118,838	**5,797**	192,876
Individually immaterial subsidiaries with non-controlling interests				**(37,694)**	(22,829)	**(30,855)**	(22,938)
				(184,498)	96,009	**(25,058)**	169,938

Summarised financial information in respect of 上饒紅淼 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 HK$'000	2019 HK$'000
Current assets	**174,882**	634,745
Non-current assets	**11,665**	3,065
Current liabilities	**(174,716)**	(244,186)
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**6,034**	200,748
Non-controlling interests	**5,797**	192,876

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

38.2 Details of a non-wholly owned subsidiary that has material non-controlling interests (Continued)

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	16,282	746,551
Expenses	(315,882)	(504,024)
(Loss)/profit for the year	(299,600)	242,527
(Loss)/profit attributable to owners of the Company	(152,796)	123,689
(Loss)/profit attributable to the non-controlling interests	(146,804)	118,838
(Loss)/profit for the year	(299,600)	242,527
Other comprehensive (loss)/income attributable to owners of the Company	(41,918)	988
Other comprehensive (loss)/income attributable to the non-controlling interests	(40,275)	950
Other comprehensive (loss)/income for the year	(82,193)	1,938
Total comprehensive (loss)/income attributable to owners of the Company	(194,714)	124,677
Total comprehensive (loss)/income attributable to the non-controlling interests	(187,079)	119,788
Total comprehensive (loss)/income for the year	(381,793)	244,465
Net cash inflow (used in)/generated from operating activities	(126,210)	98,442
Net cash outflow generated from/(used in) investing activities	17	(25,745)
Net cash inflow generated from financing activities	5,069	45,533
Net cash (outflow)/inflow	(121,124)	118,230

39. EVENTS AFTER REPORTING PERIOD

On 22 January 2021, FDB & Associates Limited, a direct wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreement with Mr. IP Kong Ling, the director of Fruit Design, to dispose of the entire issued share capital of Fruit Design, an indirect wholly-owned subsidiary of the Company, which is principally engaged in contracting business and provision of building consultancy services at a consideration of HK$8,500,000. The disposal was completed on 10 February 2021. Upon completion of disposal, Fruit Design ceased to be a subsidiary of the Company.

On 30 March 2021, Jet Speed Asia Pacific Limited, a wholly-owned subsidiary of the Company, entered into a share transfer agreement with an independent third party to disposed of the entire equity interest of Shanghai Faye Yu, an indirect wholly-owned subsidiary of the Company, which is principally engaged in the provision of computer information network, electronic technology development consulting and advertising at a consideration of RMB1. Shanghai Faye Yu together with its subsidiaries carried out the loan facilitation business of the Group in the PRC. The disposal has been completed on 30 March 2021. Upon completion of disposal, Shanghai Faye Yu and its subsidiaries ceased to be a subsidiary of the Company. For details, please refer to the Company's announcement dated 30 March 2021.

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	2	2
Amounts due from subsidiaries	1,626	75,168
	1,628	75,170
Current assets		
Other receivables and prepayments	284	285
Amounts due from subsidiaries	13,587	21,106
Bank balances and cash	42	16
	13,913	21,407
Current liabilities		
Accrued charges	1,546	1,395
Amounts due to subsidiaries	2	2
	1,548	1,397
Net current assets	12,365	20,010
Net assets	13,993	95,180
Capital and reserves		
Share capital (Note 28)	13,320	13,320
Reserves	673	81,860
Total equity	13,993	95,180

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

Movement in the Company's reserve

	Share premium HK$'000	Accumulated losses HK$'000	Exchange reserve HK$'000	Total HK$'000
As at 1 January 2019	21,440	(7,533)	–	13,907
Shares issued upon exercise of convertible bonds	124,499	–	–	124,499
Loss and total comprehensive loss for the year	–	(56,546)	–	(56,546)
As at 31 December 2019 and 1 January 2020	145,939	(64,079)	–	81,860
Loss and total comprehensive loss for the year	–	(84,060)	2,873	(81,187)
At 31 December 2020	**145,939**	**(148,139)**	**2,873**	**673**

41. CONTINGENT LIABILITIES

Included in the consolidated financial statements, there are tax payable of approximately HK$119,285,000 and HK$122,745,000 as at 31 December 2020 and 2019, and income tax expenses of approximately HK$54,638,000 and HK$79,790,000 for the years ended 31 December 2020 and 2019 in relation to the financial information and technology services segment which slowed down during the year. Of which only approximately HK$10,280,000 income tax was paid during the year ended 31 December 2020 and no income tax was paid from the end of the reporting period up to the date of this report. The Group has engaged an independent tax expert to review the tax position and tax exposure related to the financial information and technology services segment. Up to the date of approval for issuance of the consolidated financial statements, the tax expert is still in process to determine the income tax related to financial information and technology services but has suggested that the Group may be subject to significant late penalty or surcharge.

42. LITIGATION

In early 2020, 上饒紅森 commenced litigation against Jinshang Consumer Finance Co. Ltd (晉商消費金融股份有限公司) at the Taiyuan Intermediate People's Court in an attempt to recover the outstanding service fees together with interest incurred in 2019 in the total sum of approximately RMB71,566,000. Up to the date of this report, the litigation is still in progress. For details, please refer to management discussion and analysis.

Save as disclosed above, as at 31 December 2020, so far as the Directors were aware, (i) the Group was not engaged in any litigation or claims of material importance, and (ii) no litigation or claims of material importance is pending or threatened against the Group.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

FINANCIAL SUMMARY

For the five years ended 31 December 2016, 2017, 2018, 2019 and 2020

RESULTS

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	395,781	744,755	648,541	1,293,293	**473,860**
Profit/(loss) before tax	37,667	38,152	68,617	214,196	**(391,258)**
Income tax expense	(6,493)	(6,969)	(17,321)	(97,619)	**(38,270)**
Profit/(loss) and total comprehensive income for the year	31,174	31,183	46,096	91,590	**(414,125)**

ASSETS AND LIABILITIES

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	228,029	388,019	471,062	978,273	**407,061**
Total liabilities	(137,894)	(276,557)	(303,403)	(550,084)	**(404,745)**
Net assets	90,135	111,462	167,659	428,189	**2,316**