China e-Wallet Payment Group Limited
中國錢包支付集團有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 802)

2020
ANNUAL REPORT

* *For purpose of identification only*

CONTENTS

Five-Year Financial Summary

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**60,324**	93,904	90,729	55,009	34,386
Loss for the year	**(51,128)**	(75,729)	(53,535)	(394,695)	(183,652)
Loss attributable to:					
Owners of the Company	**(41,800)**	(74,635)	(46,754)	(392,785)	(176,783)
Non-controlling interests	**(9,328)**	(1,094)	(6,781)	(1,910)	(6,869)
	(51,128)	(75,729)	(53,535)	(394,695)	(183,652)
Basic loss per share (HK cents) (Note)	**(1.52)**	(2.72)	(1.70)	(15.57)	(10.71)
Dividends per share	**–**	–	–	–	–

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**453,698**	540,106	604,689	657,769	1,123,402
Total liabilities	**(29,510)**	(70,537)	(79,809)	(51,234)	(225,425)
	424,188	469,569	524,880	606,535	897,977
Equity attributable to owners of the Company	**422,539**	458,592	512,809	587,683	877,215
Non-controlling interests	**1,649**	10,977	12,071	18,852	20,762
	424,188	469,569	524,880	606,535	897,977

Note: The calculation of basic loss per share is based on the loss attributable to owners of the Company and on the weighted average number of shares in issue during the relevant years.

Dear shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020, which consists of reporting on the activities, results and strategies of the Company.

BUSINESS ENVIRONMENT

China e-Wallet Payment Group Limited ("**the Company**") operates in a challenging environment that is prone to technology innovations and reengineering cycles, changing consumer preferences and trade flows. We continuously scan our business environment and closely watch trends and developments that may affect our business and the way we operate. Our broad technology deployments and core businesses that move in line with different macro trends help us mitigate the primary effects of the external environment. We consider economic, social, legal, technological and political factors and have structured the Company in ways to allow us to adapt and change quickly to respond to market forces.

During the year 2020, the Company had met considerable challenges that were faced by major corporations in the global economy. However, the Company had adapted and continued to improve on its core businesses and delivery, placing innovation in its products and business operations at its fundamental.

THANK YOU

I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continued support, as well as to the Group's management team and staff for their tireless dedication and efforts in developing the long term prospects of the Group.

Li Jinglong
Executive Director

Hong Kong, 31 March 2021

BUSINESS REVIEW

"Internet and Mobile's Application and Related Accessories" is the Group's main business. The Group specialized in providing programming and advertising solutions in mobile platform with branch office in Hong Kong, Shenzhen and Shanghai. The programming teams of the Group have extensive experience on developing mobile application and interactive virtual reality technologies for well-known companies in Hong Kong and overseas. The Group is also engaged in the business of distribution of computer-related and mobile-related electronic products and accessories.

The Group believes that the business of "Internet and Mobile's Application and Related Accessories" as a key growth area, is in-line with the growth of the mobile and gaming industry and in particular in application development for merchants, online gaming, interactive virtual reality experience and utilities applications for mobile platform and mass advertising.

The Company already procured thousands of merchants to participate in its settlement application services. In order to capture its market share and procure sizable merchants, the Company would pay earnest deposits to these merchants. The Company would derive marketing plan with these merchants in order to give incentives by way of E-coupons or discounts to their customers who use our designated settlement application services and the earnest deposits would be utilized accordingly. In return, the Company would share the transaction fee from the settlement application services and receive rebate income from these merchants. Since 2018, the Group expanded its settlement application services through referring merchants to Alipay.com Co., Ltd. to use the Alipay services in the PRC.

In the financial year of 2020, the Group recorded a revenue of approximately HK$60.3 million, representing a decrease of 35.8% compared to the same period in 2019. The decrease was primarily due to the global outbreak of the novel coronavirus (COVID-19). The lock-down of different regions in the PRC during the first quarter of 2020 has adversely affected the customers of our merchants in the PRC and caused a significant decrease in the Group's revenue.

The Group reported a net loss of approximately HK$51.1 million for the year ended 31 December 2020. The decrease of net loss was mainly attributable to the decrease of selling and administrative expenses.

FINANCIAL REVIEW

Revenue

The revenue of the Group was mainly attributable to the application development income generated by efforts in diversification into settlement application market. For the year ended 31 December 2020, the Group reported a total revenue of approximately HK$60.3 million representing a decrease of 35.8% compared to approximately HK$93.9 million in the same period in 2019.

Gross profit

Gross profit in 2020 was HK$14.1 million which was a decrease, as compared to a gross profit of HK$18.1 million in the same period of 2019.

Other revenue and gains

Other revenue and gains, mainly included a non-recurring gain on disposal of subsidiaries of approximately HK$9.6 million, increased by approximately HK$10.1 million to approximately HK$10.3 million.

Selling and administrative expenses

Selling and administrative expenses, mainly included the expenses on utilization of earnest deposits as incentives by giving E-coupons or discount to customers for settlement application services of approximately HK$38.1 million (2019: HK$40.0 million) and share-based payment expenses of approximately HK$10.2 million (2019: HK$23.5 million), decreased by approximately HK$18.2 million from approximately HK$87.7 million in 2019 to approximately HK$69.5 million in the same period in 2020. The decrease was attributable to the decrease in share-based payment expenses by approximately HK$13.3 million.

Loss for the year

The Group's loss for the year was approximately HK$51.1 million compared to loss of approximately HK$75.7 million in the same period in 2019. The decrease of net loss was mainly attributable to the increase of other revenue and gains and the decrease of selling and administrative expenses.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased from a loss of approximately HK$74.6 million in 2019 to a loss of approximately HK$41.8 million in the same period of 2020.

Loss attributable to the non-controlling interests

The loss attributable to the non-controlling interests of approximately HK$9.3 million for the year ended 31 December 2020 (2019: HK$1.1 million).

REVIEW OF THE GROUP'S FINANCIAL POSITION

Liquidity and capital resources

The Group has internal budgeting systems in place to ensure that if and when cash is committed to fund major expenditures there is sufficient cash flow to maintain the Group's daily operations and meet all of its contractual obligations.

The Group funds its operations with revenue from its operating activities. The Group also has cash inflows from interest income and collections. Key drivers in the Group's sources of cash are primarily the Group's sales, and their inflow depends on the Group's ability to collect payments. There have been no material changes in the Group's underlying drivers during the period under review.

The Group did not incur any material capital expenditure during the year of 2020 (2019: HK$0.17 million).

There were no assets charged or pledged as at 31 December 2020 (2019: HK$ Nil).

The Group had cash and cash equivalents of approximately HK$4.8 million as at 31 December 2020 compared to approximately HK$8.2 million as at 31 December 2019.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2020 (2019: HK$Nil).

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio was approximately 7.0%, as compared to 15.4% as at 31 December 2019. The gearing ratio was calculated as the Group's total liabilities divided by its total capital. The total liabilities and total capital of the Group were approximately HK$29.5 million (2019: HK$70.5 million) and HK$422.5 million (2019: HK$458.6 million) as at 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities (2019: HK$Nil). The Company has not been acted as a guarantor of its subsidiaries to secure any interest-bearing borrowings.

FOREIGN EXCHANGE RISK MANAGEMENT

Certain of the Group's bank balances are denominated in Ringgit, United States Dollars and Renminbi, each of which is a currency other than the functional currency of the relevant group entities, which exposes it to foreign currency risk. The Group has not used any financial instruments to hedge against this currency risk. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES

As at 31 December 2020, in addition to the Directors, there were approximately 53 employees (31 December 2019: 56) of the Group stationed in the Group's offices in Hong Kong, Shanghai, Shenzhen, Beijing and Kuala Lumpur. Total staff costs for the year ended 31 December 2020 were approximately HK$17.2 million (which included share-based payment of approximately HK$10.2 million), compared with approximately HK$29.3 million in 2019.

The Group offers training and development courses for its employees to enhance the staff's working capabilities. Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of the industry practices and market conditions, reviewed on an annual basis. Directors' remuneration is determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market conditions. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

MANAGEMENT OUTLOOK

The Group had continued the efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position. The Group will utilise its existing technical knowledge and programmers to diversify its income stream and will continue to work towards, attaining a stable platform for sustainability and basis for any potential growth.

By leveraging the knowledge on its interactive virtual reality programming on different business sectors, such as animation and culture, the Group obtained the license from the largest Japanese animation studio to conduct an interactive animation exhibition in Hong Kong in 2019. The Group will continue to explore the potential of this business opportunities and utilize its resource with prudence in the future.

Furthermore, the outbreak of COVID-19 has cast a confronting shadow over the growth prospects for the PRC. Although the PRC government is doing very well with combinations of fiscal and monetary policies in their stimulus package, the Board expects that financial results and the operations of the Group during 2021 will still be impacted. While it remains uncertain as to when the COVID-19 epidemic might end and the PRC economy might fully recover, the Board will continue to monitor and assess the situation with respect to COVID-19, and remains committed to mitigate any adverse risk or impact COVID-19 may have on the operating and financial performance of its business in the PRC.

CORPORATE GOVERNANCE CODE

In connection with the listing of the Company on the Stock Exchange in February 2009, the Company adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its additional code on corporate governance practices on 2 February 2009. The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2020.

BOARD COMPOSITION

As at 31 December 2020, there were six Board members consisting of three executive Directors and three independent non-executive Directors:

Executive Directors:
Li Jinglong
Zhang Ligong
Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:
Cheng Ruixiong
Kwan King Wah
Lo Suet Lai

Board Diversity Policy

The Nomination Committee adopted the board diversity policy on 29 August 2013.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. 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 service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall direction and strategy of the Group, its performance, management and major financial matters. The Board meets regularly to devise and monitor strategies, approve acquisitions and disposals, review managerial performance, examine capital expenditures, approve budgets and handle important financial matters. The Board monitors business risk exposures and reviews performance based on strategies, budgetary goals and development programs. The Board also considers employee issues, key appointments and information for shareholders of the Company (the "**Shareholders**").

The Board meets at least four times a year at approximately quarterly internals and the Directors receive information between meetings about the activities of the Group. All Directors have full and timely access to all relevant information of the Group. In addition to the meetings of the Board, the senior management meets frequently to review and discuss the daily operation of the Group.

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	5/5
Zhang Ligong	5/5
Wang Zhongling *(Chief Executive Officer)*	5/5
Independent Non-executive Directors:	
Cheng Ruixiong	4/5
Kwan King Wah	4/5
Lo Suet Lai	4/5

CODE FOR DIRECTORS' DEALINGS

In connection with the listing of the Company on the Stock Exchange in February 2009, the Company adopted the Model Code as set out in Appendix 10 of the Listing Rules ("**Model Code**") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the year under review.

GENERAL MEETING

During the year under review, the Company convened an annual general meeting of the Company on 26 June 2020 (the "**2020 AGM**"). The attendance record is set out below:

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	1/1
Zhang Ligong	1/1
Wang Zhongling *(Chief Executive Officer)*	1/1
Independent Non-executive Directors:	
Cheng Ruixiong	1/1
Kwan King Wah	1/1
Lo Suet Lai	1/1

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting of the listed issuer. Since there is no chairman of the Board of the Company following the retirement of chairman of the Company, Mr. Liu Wen,on 5 June 2017, in accordance with bye-laws of the Company (the "**Bye-laws**"), Mr. Wang Zhongling, an executive Director, was elected by the directors to chair the 2020 AGM.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Each of executive Directors has entered into a service agreement with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

Each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

In accordance with bye-law 87(1) of the Bye-laws, all Directors (including executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years. In accordance with bye-law 87(1) of the Bye-laws, Mr. Li Jinglong and Mr. Zhang Ligong will retire and seek re-election at the forthcoming annual general meeting.

BOARD MEETINGS AND BOARD PRACTICES

The Board meets at least four times a year and also meets on other occasions when a board-level decision on a particular matter is required. The company secretary of the Company (the "**Company Secretary**") will assist the Chairman to prepare the agenda of meetings and each Director may request to include any matters in the agenda. The Company Secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meetings so that they may receive accurate, timely and clear information. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and decisions reached.

DELEGATION OF POWERS

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, there are three independent non-executive directors representing at least one-third of the Board. Among the three independent non-executive directors, one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his/her independence. As at the date of this report, the Board considers that all independent non-executive Directors are independent and in full compliance with the factors as set out in Rule 3.13 in the Listing Rules.

RELATIONSHIP WITHIN DIRECTORS

None of the Directors and/or members of the senior management are related.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

During the year under review, the Company had received from each of the Directors the confirmations on taking continuous professional training.

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 (the "**CEO**") should be separated and should not be performed by the same individual.

Mr. Liu Wen was the chairman and an independent non-executive Director of the Company until 5 June 2017 and Mr. Wang Zhongling, an executive Director, is the Company's CEO. The two positions are held by two separate individuals to ensure their respective independence, accountability and responsibility. Following the retirement of Mr. Liu Wen on 5 June 2017, the Company is in the progress of identifying suitable candidate to fill the vacancy for the chairman.

BOARD COMMITTEES

The Board has formally established a number of committees and agreed upon their terms of reference. The committees are:

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 28 June 2004 with written terms of reference, which was has revised from time to time, in compliance with the CG Code. The primary function of the Remuneration Committee is to review the remuneration packages of all the Directors and the senior management.

The Remuneration Committee constitutes Ms. Lo Suet Lai, an independent non-executive Director, acting as chairman of the Remuneration Committee with Mr. Cheng Ruixiong and Mr. Kwan King Wah, both of them are also independent non-executive directors, as members.

During the year under review, the Remuneration Committee made recommendations to the Board on remuneration of Directors and senior management and determined on behalf of the Board specific remuneration packages and conditions of employment for executive Directors and senior management with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. The Remuneration Committee also determined the terms and conditions of service of the executive Directors, including the remuneration and grant of options to executive Directors and employees under the share option scheme of the Company and any other future share option schemes and arrangements adopted by the Company. Details of the Directors' remuneration and the executive share option scheme are shown in note 10 and 33 to the consolidated financial statements.

During the year under review, two meetings were held. The attendance records for the Remuneration Committee meeting are as follows:

Names of the members	Members' Attendance
Lo Suet Lai *(Chairman)*	2/2
Cheng Ruixiong	2/2
Kwan King Wah	2/2

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 28 June 2004 with written terms of reference, which was revised from time to time, in compliance with the CG Code. The primary functions of Nomination Committee are to review the structure, size and composition of the Board, assess the independence of both of them are also independent non-executive Directors, and make recommendations to the Board relating the redesignation and appointment of the Directors.

The Nomination Committee constitutes Mr. Cheng Ruixiong, an independent non-executive Director, as chairman of the Nomination Committee with Mr. Kwan King Wah and Ms. Lo Suet Lai, both of them are also independent non-executive Directors, as members.

During the year under review, the Nomination Committee made recommendation to the Board on re-election of directors at the annual general meeting of the Company. It also reviewed the structure, size, composition and diversity of the Board and kept under review the leadership needs of the Group to ensure the continued ability of the Group to compete effectively in the market place.

During the year under review, one meeting was held. The attendance record for the Nomination Committee meeting is as follows:

Names of the members	Members' Attendance
Cheng Ruixiong *(Chairman)*	1/1
Kwan King Wah	1/1
Lo Suet Lai	1/1

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 28 June 2004 with written terms of reference, which was revised on 18 December 2015, in compliance with the Listing Rules. The primary functions of the Audit Committee are to review and supervise the financial reporting systems, risk management and internal control systems of the Company and meet with the Company's auditors twice a year.

The Audit Committee is comprised of three members, namely Mr. Kwan King Wah as chairman with Mr. Cheng Ruixiong and Ms. Lo Suet Lai, both independent non-executive Directors as members. The arrangement of the Audit Committee complied with the Rule 3.21 of the Listing Rules.

During the year under review, the Audit Committee performed its primary responsibility for monitoring the quality of risk management, internal control and financial reporting systems and ensuring that the performance of the Company's auditors relating to the Company's accounting and auditing matters are of good quality.

The Audit Committee has reviewed with the management and the Company's independent external auditors, McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting systems including the review of the consolidated financial statements for the year ended 31 December 2020, which have been audited by McMillan Woods.

During the year under review, two meetings were held. The attendance records for the Audit Committee meetings are as follows:

Names of the members	Members' Attendance
Kwan King Wah *(Chairman)*	2/2
Lo Suet Lai	2/2
Cheng Ruixiong	2/2

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Company's corporate governance functions were carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, which Ms. Ng Lai Ching ("**Ms. Ng**") is appointed as the Company Secretary, from 3 May 2019. The biography of Ms. Ng has been set out on page 22 under the section of the Directors and Senior Management.

Being the Company Secretary, Ms. Ng plays an important role in supporting the board by ensuring good information flow within the Board and that Board policy and procedures are followed.

She has taken more than 15 hours of relevant professional training for the year ended 31 December 2020.

AUDITORS' REMUNERATION

For the year ended 31 December 2020, the remuneration in respect of audit services assignment provided by the auditors of the Company, McMillan Woods, amounted to approximately HK$600,000 for auditing services.

The accounts for the year were audited by McMillan Woods whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that McMillan Woods be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2020, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The reporting responsibility of the auditors of the Company on the consolidated financial statements of the Company for the year ended 31 December 2020 are set out in the Independent Auditors' Report.

SHAREHOLDERS' RIGHT

The rights of the Shareholders are set out in the Bye-laws.

Convening a special general meeting

The Shareholders may put forward their proposals or enquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong.

Pursuant to bye-law 58 of the Bye-laws, 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 having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act.

Putting enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's principal place of business in Hong Kong.

Putting forward proposals at Shareholders' meeting

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's principal place of business in Hong Kong.

The written requisition must be signed by all the Shareholders concerned in one or more documents in like form and deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

DIVIDEND POLICY

In compliance with code provision E.1.5 of the CG Code, the Company has adopted a dividend policy ("**Dividend Policy**"). Subject to the Bermuda Companies Act and the Bye-laws, the Company may from time to time declare dividends to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board. The Board may also from time to time pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits of the Company. Declaration of dividends is subject to the discretion of the Board, taking into consideration of, among others, (i) the Group's financial performance; (ii) the Group's capital requirements and debt level; (iii) the Group's liquidity position; (iv) retained earnings and distributable reserves of the Group; (v) the Group's business operations, business strategies and future development needs; (vi) any contractual, statutory and regulatory restrictions; and (vii) the general economic conditions and other factors that may have an impact on the performance and position of the Group. The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

RELATIONS WITH SHAREHOLDERS

The executive Directors and management team meet regularly with institutional investors, fund managers and analysts, as part of an active investor-relations program to discuss long-term issues and receive feedback.

During the year under review, there has been no significant change in the Company's constitutional documents.

INVESTOR RELATIONS

Enquiries relating to the Company's strategy or operations may be directed to:

Address: Room 626-629, Corporation Park, 11 On Lai Street, Siu Lek Yuen, Sha Tin, New Territories, Hong Kong

Email: ir@chinaewallet802.com

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company does not have an internal audit department. However, the Group engaged an external consultant for internal control and risk management to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

WHERE MORE INFORMATION ABOUT THE COMPANY IS AVAILABLE

This annual report 2020, and other information on the Company, may be reviewed on the website: www.hklistco.com/802.

The Board of the Company is pleased to present this annual report, together with the Group's audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in provision of internet and mobile application, developing interactive virtual reality technologies, and distribution of computer-related and mobile-related electronic products and accessories. There were no material changes in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group's for the year is set out in the sections of Director's Statement, Management Discussion and Analysis, Five-Year Financial Summary and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "**SFO**") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, as well as general public. The Company cares about the impact of its daily operation on environment and society, strives to set a good example for the public, while conducting business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

For the purpose of disclosing the information in relation to ESG in accordance with the Appendix 27 to the Listing Rules, an ESG report of the Company will be published within three months from the date of this report.

RESULTS AND DIVIDEND

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 pages 28 to 29.

The Board maintains a cautious view to retain cash for running the business and fund its expansion, thus decided that there will be no dividend paid in respect of the year ended 31 December 2020.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 32 and note 24 to the consolidated financial statements respectively.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not hold any significant investments.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have reserves available for distribution (2019: HK$Nil).

SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2020 are set out in note 23 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 93.9% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 68.3%. Purchases from the Group's five largest suppliers accounted for approximately 69.1% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 14.1%.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issue share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and five largest suppliers.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

Li Jinglong
Zhang Ligong
Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:

Cheng Ruixiong
Kwan King Wah
Lo Suet Lai

DIRECTORS' SERVICE CONTRACTS

Each of executive Directors has entered into a service agreement with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

Each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SIGNIFICANT CONTRACT

There is no contract of significance (whether or not for provision of service) was entered into between the Company and its any subsidiaries and the controlling shareholders or its subsidiaries.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 December 2020, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Name of Directors	Capacity	No. of share options of the Company	Approximate percentage of interest
Li Jinglong	Beneficial owner	27,400,000	1.0%
Zhang Ligong	Beneficial owner	27,400,000	1.0%
Wang Zhongling	Beneficial owner	27,400,000	1.0%
Cheng Ruixiong	Beneficial owner	27,400,000	1.0%
Lo Suet Lai	Beneficial owner	27,400,000	1.0%

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Equity-linked agreements" in this report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 31 December 2020, none of the persons or companies had interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

Name	Capacity	No. of issued ordinary shares of the Company	Approximate percentage of interest
Song Qifeng	Beneficial owner	226,590,000	8.3%

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Post Listing Scheme and New Share Option Scheme

A post listing share option scheme (the "**Post Listing Scheme**") was adopted by the Company on 16 October 2008. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2013, the Post Listing Scheme was terminated and a new share option scheme (the "**New Share Option Scheme**") was adopted.

Share Option Schemes

Movements of the share options granted under the share option scheme of the Company during the year ended 31 December 2020 are as follows:

	Outstanding as at 1 January 2020	Granted	Exercised	Lapsed	Cancelled	Outstanding as at 31 December 2020	Date of grant	Vesting period	Exercisable period	Exercise price HK$
Post Listing Scheme										
Employees	12,913	–	–	(12,913)	–	–	29.04.2010	1 year	29.04.2011 – 28.04.2020	25.44
New Share Option Scheme										
Employees	248,370,000	–	–	(223,540,000)	–	24,830,000	28.07.2017	–	28.07.2017 – 27.07.2027	0.1990
Employees	274,370,000	–	–	(27,437,000)	–	246,933,000	15.04.2019	–	15.04.2019 – 14.04.2029	0.2134
Employees	–	137,000,000	–	–	–	137,000,000	11.05.2020	–	11.05.2020 – 10.05.2023	0.0860
Sub-total	522,752,913	137,000,000	–	(250,989,913)	–	408,763,000				
New Share Option Scheme										
Name of Directors										
Li Jinglong	–	27,400,000	–	–	–	27,400,000	11.05.2020	–	11.05.2020-10.05.2023	0.0860
Zhang Ligong	–	27,400,000	–	–	–	27,400,000	11.05.2020	–	11.05.2020-10.05.2023	0.0860
Wang Zhongling	–	27,400,000	–	–	–	27,400,000	11.05.2020	–	11.05.2020-10.05.2023	0.0860
Cheng Ruixiong	–	27,400,000	–	–	–	27,400,000	11.05.2020	–	11.05.2020-10.05.2023	0.0860
Lo Suet Lai	–	27,400,000	–	–	–	27,400,000	11.05.2020	–	11.05.2020-10.05.2023	0.0860
Sub-total	–	137,000,000	–	–	–	137,000,000				
Total	522,752,913	274,000,000	–	(250,989,913)	–	545,763,000				

Note: The closing price of the shares of the Company immediately before the date on which the share options were granted on 11 May 2020 was HK$0.086.

Summary of principal terms of the Post Listing Scheme

The purpose of the Post Listing Scheme is to attract and retain personnel, to provide incentives to participants to work towards enhancing the value of the Company and its share for the benefit of the Company and its shareholders as a whole.

The Board may, at its discretion and on such terms as it may think fit, grant any participant an option as it may determine in accordance with the terms of the Post Listing Scheme. Participants of the Post Listing Scheme comprise Directors (including executive Directors and non-executive Directors) and full time employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group.

The total number of shares available for issue under the Post Listing Scheme shall be 12,913 shares, representing 0.01% of the issued shares of the Company as at 31 December 2019 (2020: Nil).

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee (including exercised and outstanding options) in any twelve-month period shall not exceed 1 per cent of the shares in issue for the time being.

Summary of principal terms of the New Share Option Scheme

The purpose of the New Share Option Scheme is to attract and retain personnel, to provide incentives to participants to work towards enhancing the value of the Company and its share for the benefit of the Company and its shareholders as a whole.

The Board may, at its discretion and on such terms as it may think fit, grant any participant an option as it may determine in accordance with the terms of the New Share Option Scheme. Participants of the New Share Option Scheme comprise Directors (including executive Directors and non-executive Directors) and full time employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group.

The total number of shares available for issue under the New Share Option Scheme shall be 545,763,000 shares, representing 19.89% of the issued shares of the Company as at 31 December 2020.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee (including exercised and outstanding options) in any twelve-month period shall not exceed 1 per cent of the shares in issue for the time being.

The Board may grant options on such terms and subject to such conditions as it thinks fit, including the amount payable on acceptance of the option and the period within which the option must be exercised. The Board may, in its absolute discretion, determine that options will be subject to performance targets that must be achieved before vesting.

The subscription price payable on the exercise of an option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the greatest of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; or (iii) the nominal value of the shares at the date of grant.

The New Share Option Scheme was valid and effective for a period of ten years commencing on 28 June 2013.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any Director or any person engaged in the full time employment of the Company) were entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The total number of issued share capital of the Company as at 31 December 2020 was 2,743,729,744 ordinary shares.

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

CONNECTED TRANSACTIONS

During the year, there was no connected transaction required to be reported.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in June 2004. The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in heading of "Equity-linked agreements" in this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws; or the laws of Bermuda, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

COMPETITION AND CONFLICT OF INTEREST

None of the Directors or substantial shareholders of the Company or any of their representative close associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interest with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section of the Corporate Governance Report of this annual report on pages 7 to 13.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group did not make charitable contribution (2019: HK$Nil).

AUDITORS

The accounts for the year ended 31 December 2020 were audited by McMillan Woods (Hong Kong) CPA Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the appointment of McMillan Woods (Hong Kong) CPA Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Li Jinglong
Executive Director

Hong Kong, 31 March 2021

EXECUTIVE DIRECTORS

Li Jinglong

Mr. Li Jinglong, aged 61, was appointed as an executive Director on 27 September 2011. He holds a diploma in Business Management from Beijing Society Han Shou University in China. Prior to joining the Group, Mr. Li has, since 2005, been the general manager of Shanghai Yu Heng Pharmaceuticals Technology Company Limited, a company which specialises in surgical dressing and medical consumable products, and where he oversaw the company's long term development plans, daily operations and vendors and distributors management. He was the general manager of ZhongXing Industrial Development Company Limited from 1995 to 2005 where he was responsible for daily operations, trading and business developments of the company. Mr. Li is responsible for the Group's business development in China.

Zhang Ligong

Mr. Zhang Ligong, aged 53, was appointed as an executive Director on 27 September 2011. He holds a diploma in Information Science and Engineering from Beijing Electrical & Information Engineering College in China. Prior to joining the Company, Mr. Zhang has been, since 2006, the deputy general manager of Beijing Zheshi Communications Technology Co. Ltd., a company specialising in home and office security and surveillance systems, and where he spearheaded sales, marketing and business development as well as being responsible for the company's operation and implementation of strategic direction. He was a technical engineer in Beijing Qinghe Textile Factory from 1986 to 2006. Mr. Zhang is responsible for the Group's business development in China.

Wang Zhongling
Chief Executive Officer

Mr. Wang Zhongling, aged 38, was appointed as an executive Director on 13 November 2012 and the chief executive officer of the Company on 2 December 2013. Mr. Wang is also a director of a number of subsidiaries of the Company. He holds a Diploma in Computer Science from the Jiaying College in China. Prior to joining the Company, Mr. Wang was, since 2008, the deputy general manager of Shenzhen Giinwin Technology Co. Ltd., a company specializing in computer intelligence and software development, wireless communication, smart device development, system integration and technical consultancy, where he was responsible for its operation and management. Mr. Wang has had more than 13 years experience in managing smart system projects in the technology sector and has held a number of senior technology related positions. Mr. Wang is responsible for the Group's technology investment and management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheng Ruixiong

Mr. Cheng Ruixiong, aged 52, was appointed as an independent non-executive Director on 4 September 2017. He was also appointed as the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Cheng is currently operating a construction company in China since 2003. Before he established this construction company, he has over 10 years of working and management experience in private and public sectors.

Kwan King Wah

Mr. Kwan King Wah, aged 57, was appointed as an independent non-executive Director on 27 August 2012. He was also appointed as the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Kwan, formerly known as Kwan Fu Tang and Kwan Chik Wah, is a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained a Diploma in Accountancy with credit awarded from Hong Kong Tuen Mun Technical Institute and had attended a Microsoft Certified Systems Engineer (MCSE) Course at UniTech Consultancy Limited. Mr. Kwan has had more than 23 years working experiences in providing his expertise in accounting and auditing services to various companies.

Mr. Kwan is the founder and the present sole proprietor to K.W. Kwan & Co., an audit firm which registered with Hong Kong Institute of Certified Public Accountants for practicing as Certified Public Accountants. Mr. Kwan presently holds directorship in one Hong Kong private company, namely Pronet Consulting Limited.

Lo Suet Lai

Ms. Lo Suet Lai, aged 32, was appointed as an independent non-executive Director on 12 September 2016. She was also appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Ms. Lo graduated from Hong Kong Shue Yan University with Bachelor of Commerce (Honours) in Accounting. Prior to joining the Group, Ms. Lo worked in two international accounting firms in Hong Kong and the accounting work in Wanjia Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 401). Ms. Lo is presently acting as a consultant in a Hong Kong private company. She has years of accounting and auditing experiences.

COMPANY SECRETARY

Ng Lai Ching

Ms. Ng holds a master's degree of science in finance from University of Leicester and a bachelor's degree in accounting and finance from Leeds Metropolitan University. She is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. She possesses years of experience in the fields of accounting, auditing and corporate secretary matters.

McMillanWoods
Professionalism at the forefront

TO THE SHAREHOLDERS OF
CHINA E-WALLET PAYMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China E-Wallet Payment Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 28 to 95, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

1. Impairment assessment of intangible assets

2. Impairment of trade receivables, deposits, prepayments and other receivables

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of intangible assets	
Refer to Notes 4(f), 5(b) and 17 to the consolidated financial statement	
The Group has intangible assets of HK$19,109,000. Intangible assets with an indefinite useful life or not yet available for use are subject to annual impairment assessment, while other intangible assets are subject to impairment assessment of impairment indicators exist. Management performed impairment assessment of intangible assets and concluded that no impairment loss on intangible assets was recognised during the year. This conclusion was based on value in use model that involves significant management judgement and estimates with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation was obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis; • Challenging the appropriateness of the key assumption underlying the cash flow forecasts in the valuation model, with reference to historical performance of the Cash-Generating Unit ("**CGU**") and our knowledge of the relevant industry; and • Evaluating the adequacy of disclosures in respect of the impairment review in the consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter

Impairment of (i) trade receivables and (ii) deposit, prepayments and other receivables

Refer to Notes 4(u), 20, 21, 30(b) to the consolidated financial statements

The measurement of forward-looking expected credit loss ("ECL") approach requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors.

During the year ended 31 December 2020, the Group has made impairment loss of (i) trade receivables and (ii) deposits, prepayments and other receivables based on ECL of approximately HK$750,000 and HK$4,302,000 respectively.

Due to the significant amount of (i) trade receivables and (ii) deposits, prepayments and other receivables (with carrying amount representing 90% of total assets) and the corresponding uncertainty inherent in such estimates, a considerable amount of judgement is required in assessing the recoverability of the (i) trade receivables and (ii) deposits, prepayments and other receivables.

Our procedures in relation to management's impairment and recoverability assessment included:

- Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, trade receivables and debt collection and estimate of ECL;

- Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information including the economic variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances;

- Recalculating the amount of the impairment on (i) trade receivables and (ii) deposits, prepayments and other receivables and assessing the appropriateness and adequacy of the impairment as at 31 December 2020;

- Inspecting settlements after the financial year end relating to the (i) trade receivables and (ii) deposits, prepayments and other receivables as at 31 December 2020; and

- Reviewing the appropriateness of the disclosure in the consolidated financial statements.

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 those statements on 31 March 2020.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon (the "**Other Information**").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Ho Wai Kuen
Audit Engagement Director
Practising Certificate Number – P05966
3/F., Winbase Cantre,
208 Queen's Road Central, Hong Kong

Hong Kong, 31 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	7	**60,324**	93,904
Cost of sales		**(46,239)**	(75,854)
Gross profit		**14,085**	18,050
Other revenue and gains	8	**10,320**	252
Fair value loss on derivative financial assets		**–**	(542)
Unrealised loss on financial assets at fair value through profit or loss, net		**(399)**	(1,213)
Allowance for expected credit losses on trade receivables and deposits, prepayment and other receivables		**(5,052)**	(7,903)
Selling and administrative expenses		**(69,480)**	(87,691)
Loss from operations	9	**(50,526)**	(79,047)
Finance costs	11	**(899)**	(764)
Loss before taxation		**(51,425)**	(79,811)
Taxation	12	**297**	4,082
Loss for the year		**(51,128)**	(75,729)
Loss for the year attributable to:			
Owners of the Company		**(41,800)**	(74,635)
Non-controlling interests		**(9,328)**	(1,094)
		(51,128)	(75,729)
		HK cents	HK cents
Loss per share			
– Basic and diluted	13	**(1.52)**	(2.72)

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

	Notes	2020 HK$'000	2019 HK$'000
Loss for the year		**(51,128)**	(75,729)
Other comprehensive loss for the year:			
Items that may be reclassified to profit or loss:			
Release of translation reserve upon disposal of subsidiaries		**(4,410)**	–
Exchange differences on translating foreign operations		**(8)**	(3,096)
		(4,418)	(3,096)
Total comprehensive loss for the year		**(55,546)**	(78,825)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(46,218)**	(77,731)
Non-controlling interests		**(9,328)**	(1,094)
		(55,546)	(78,825)

The accompanying notes from 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
ASSETS			
Non-current assets			
Property, plant and equipment	15	**333**	740
Goodwill	16	**4,686**	4,686
Intangible assets	17	**19,109**	25,755
		24,128	31,181
Current assets			
Financial assets at fair value through profit or loss	18	**17,463**	15,707
Trade receivables	20	**8,776**	41,065
Deposits, prepayments and other receivables	21	**398,507**	443,954
Cash and bank balances	22	**4,824**	8,199
		429,570	508,925
Total assets		**453,698**	540,106
CAPITAL AND RESERVES			
Share capital	23	**109,749**	109,749
Reserves	24	**312,790**	348,843
Equity attributable to owners of the Company		**422,539**	458,592
Non-controlling interests		**1,649**	10,977
Total equity		**424,188**	469,569

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liability			
Deferred tax liabilities	25	**4,778**	6,439
Current liabilities			
Trade payables	26	**1,303**	24,797
Accruals and other payables	27	**20,527**	37,225
Convertible notes	28	**–**	–
Tax payables		**2,902**	2,076
		24,732	64,098
Total liabilities		**29,510**	70,537
Total equity and liabilities		**453,698**	540,106
Net current assets		**404,838**	444,827
Total assets less current liabilities		**428,966**	476,008
Net assets		**424,188**	469,569

The consolidated financial statements on pages 28 to 95 were approved and authorised for issue by the board of directors of the Company on 31 March 2021 and signed on its behalf by:

Li Jinglong
Executive Director

Zhang Ligong
Executive 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

	Share capital	Share premium (Note 24(a))	Share-based compensation reserve (Note 24(b))	Capital reserve (Note 24(c))	Convertible equity reserve (Note 24(d))	Translation reserve (Note 24(e))	Legal reserve (Note 24(f))	Accumulated losses	Sub-total	Non-controlling interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	109,749	2,828,249	82,420	(872)	20,902	(31,414)	48	(2,496,273)	512,809	12,071	524,880
Loss for the year	–	–	–	–	–	–	–	(74,635)	(74,635)	(1,094)	(75,729)
Other comprehensive loss for the year	–	–	–	–	–	(3,096)	–	–	(3,096)	–	(3,096)
Total comprehensive loss for the year	–	–	–	–	–	(3,096)	–	(74,635)	(77,731)	(1,094)	(78,825)
Grant of share option (Note 33)	–	–	23,514	–	–	–	–	–	23,514	–	23,514
Lapse of share option (Note 33)	–	–	(52,938)	–	–	–	–	52,938	–	–	–
Transfer to accumulated losses upon mature of convertible notes (Note 28)	–	–	–	–	(20,902)	–	–	20,902	–	–	–
At 31 December 2019	109,749	2,828,249	52,996	(872)	–	(34,510)	48	(2,497,068)	458,592	10,977	469,569
At 1 January 2020	**109,749**	**2,828,249**	**52,996**	**(872)**	**–**	**(34,510)**	**48**	**(2,497,068)**	**458,592**	**10,977**	**469,569**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41,800)**	**(41,800)**	**(9,328)**	**(51,128)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,418)**	**–**	**–**	**(4,418)**	**–**	**(4,418)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,418)**	**–**	**(41,800)**	**(46,218)**	**(9,328)**	**(55,546)**
Disposal of subsidiaries	**–**	**–**	**–**	**(30)**	**–**	**–**	**–**	**30**	**–**	**–**	**–**
Grant of share option (Note 33)	**–**	**–**	**10,165**	**–**	**–**	**–**	**–**	**–**	**10,165**	**–**	**10,165**
Lapse of share option (Note 33)	**–**	**–**	**(28,892)**	**–**	**–**	**–**	**–**	**28,892**	**–**	**–**	**–**
At 31 December 2020	**109,749**	**2,828,249**	**34,269**	**(902)**	**–**	**(38,928)**	**48**	**(2,509,946)**	**422,539**	**1,649**	**424,188**

Consolidated Statement of Cash Flow

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Loss before taxation	**(51,425)**	(79,811)
Adjustments for:		
Amortisation of intangible assets	**6,646**	6,646
Depreciation of property, plant and equipment	**388**	394
Loss on disposal of property, plant and equipment	**6**	683
Realised gain on disposal of financial asset at fair value through profit or loss	**–**	(243)
Allowance for expected credit losses recognised in respect of trade receivables	**750**	1,149
Allowance for expected credit losses recognised in respect of deposits, prepayments and other receivables	**4,302**	6,754
Gain on disposal of subsidiaries	**(9,555)**	–
Fair value loss on derivative financial assets	**–**	542
Unrealised loss on fair value of financial assets at fair value through profit or loss	**399**	1,213
Bank interest income	**–**	(2)
Dividend income	**(5)**	–
Share-based payment expenses	**10,165**	23,514
Finance costs	**899**	764
Operating cash flow before movements in working capital	**(37,430)**	(38,397)
Change in trade receivables	**31,539**	(927)
Change in deposits, prepayments and other receivables	**40,884**	38,243
Change in trade payables	**(23,441)**	(196)
Change in accruals and other payables	**(12,720)**	(5,748)
Purchase of financial assets at fair value through profit or loss	**(2,155)**	(267)
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	634
Cash used in operations	**(3,323)**	(6,658)
Bank interest income received	**–**	2
Income tax paid	**–**	(10)
Net cash used in operating activities	**(3,323)**	(6,666)
Investing activities		
Purchase of property, plant and equipment	**(27)**	(171)
Net cash outflow from disposal of subsidiaries	**(18)**	–
Dividend income received	**5**	–
Net cash used in investing activities	**(40)**	(171)
Financing activities		
Interest paid	**(4)**	–
Net cash used in financing activities	**(4)**	–
Net decrease in cash and cash equivalents	**(3,367)**	(6,837)
Cash and cash equivalents at the beginning of the year	**8,199**	18,125
Effect of exchange rate change	**(8)**	(3,089)
Cash and cash equivalent at the end of the year	**4,824**	8,199

1. GENERAL INFORMATION

China e-Wallet Payment Group Limited (the "**Company**") was incorporated in Bermuda an exempted company with limited liability under Companies Act of Bermuda. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 626-629, Corporation Park, 11 On Lai Street, Siu Lek Yuen, Sha Tin, New Territories, Hong Kong respectively. The Company's shares are listed on the Main board of the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 19 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Departing Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which in collective term includes all individual International Financial reporting Standard, International Accounting Standards ("IASs") and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRSS

The Group has applied the Amendments to Reference to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB 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 IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs 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.

3. ADOPTION OF NEW AND REVISED IFRSs (CONTINUED)

New and revised IFRSs in issue but not yet effective

The Group has not applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning on or after 1 January 2020. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16: Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 37: Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRSs 2018 – 2020 cycle	1 January 2022
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2023
Hong Kong Interpretation 5 (2020): Presentation of financial statements – Classification by the Borrower of a team loan that contains a repayment on demand clause	1 January 2023
Amendments to IFRS 16: COVID-19 – Dealted Rent Concession	1 June 2020
Amendments to IFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform	1 January 2021
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between on Investors and its associate or joint venture	To be determind

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Certain comparative figures of prior years have been re-presented to conform with current year's presentation.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss.

(b) Business Combinations and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), 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.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Development tools	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Lease (Continued)

The Group as a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(h).

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.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16. In such cases, the group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible Assets

Intangible Assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 fair value through profit or loss are recognised immediately in profit or loss.

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.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets

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 marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt Investments

Debt Investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– Fair Value through other comprehensive income ("**FVTOCI**") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– Fair value through profit or loss ("**FVTPL**") if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity Investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade and other receivable

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) Cash and cash equivalent

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow. Cash and cash equivalents are assessed for ECL.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

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

(n) Revenue recognition

Revenue from contracts with customers

Under IFRS 15, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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 and 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 complete to date.

Otherwise, revenue is recognized 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 IFRS 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 a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Sale of goods and service

Revenue from sale of good and service from internet and mobile's application and related accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 to 180 days upon delivery. Payment in advance is required for some contracts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

Distribution of computer and mobile related electronic products and accessories

Revenue from the distribution of computer-related and mobile-related electronic products and accessories included mobile payment platform and gaming industry and in particular in application development for merchants, online gaming, interactive virtual reality experience utilities application for mobile platform and mass advertising. are recognised when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(o) Employee benefit

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(r) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 arising on investments in subsidiaries and associates, and interests in joint arrangements, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

– 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 for a particular financial instrument;

– 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;

– significant increases in credit risk on other financial instruments of the same debtor;

– 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 on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, 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.

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:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor 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. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of expected credit losses 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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Convertible notes

Convertible notes issued by the Group that contain liability component, early redemption option component and conversion option component are classified separately into their respective items on initial recognition. Conversion option component that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the early redemption option component is recognised at fair value and classified as derivative financial instrument.

On initial recognition, the fair value of the liability component is determined using the discounted cash flow at an effective interest rate. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component and the early redemption option component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (conversion option reserve).

In subsequent reporting periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The early redemption option component is measured at fair value with change in fair value recognised in profit or loss. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible option reserve until the conversion option is exercised, in which case, all components at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the carrying amounts of all components is recognised in profit or loss. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible option reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability component, equity component and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option component are charged to profit or loss immediately. The portion related to the equity component is charged directly to equity.

(y) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (Continued)

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

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

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

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

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

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

(viii) the entity, or any member of a group of which it is a part, provided key management personal services to the Company or to the parent of the Company.

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Company have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in Note 4(u), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

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

(a) Income taxes

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

(b) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGU to which goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets.

The carrying amounts of goodwill and intangible assets were approximately HK$4,686,000 and HK$19,109,000 (2019: approximately HK$4,686,000 and HK$25,755,000) as at 31 December 2020. Details of the impairment assessment of the goodwill and intangible assets are provided in Notes 16 and 17 to the consolidated financial statements.

(c) Impairment of (i) trade receivables and (ii) deposits, prepayments and other receivables

The management of the Group estimates the amount of impairment loss for ECL on (i) trade receivables and (ii) deposits, prepayments and other receivables based on the credit risk of (i) trade receivables and (ii) deposits, prepayments and other receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(c) Impairment of (i) trade receivables and (ii) deposits, prepayments and other receivables (Continued)

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 lead to increased credit default rates. The information about the ECL and the Group's (i) trade receivables and (ii) deposits, prepayments and other receivables are disclosed in Note 30(b) to these consolidation financial statements.

As at 31 December 2020, the carrying amounts of (i) trade receivables and (ii) deposits, prepayment and other receivables are approximately HK$8,776,000 (2019: approximately HK$41,065,000) (net of allowance for doubtful debts of approximately HK$2,514,000 (2019: approximately HK$1,764,000)) and approximately HK$398,507,000 (2019: approximately HK$443,954,000) (net of allowance for doubtful debts of approximately HK$41,239,000 (2019: approximately HK$36,937,000)) respectively.

(d) Valuation of equity-settled share-based payment transactions

The fair value of share options were valued by an independent valuer using the binomial option pricing model. This valuation requires the Company to make estimates about certain key inputs, including the dividend yield, expected volatility, risk-free interest rate and expected life of options. The changes in input assumptions can materially affect the fair value estimate.

During the year ended 31 December 2020, the Company recognised share-based payment expenses of approximately HK$10,165,000 (2019: approximately HK$23,514,000).

6. FAIR VALUE MEASUREMENTS

Fair value estimation

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value estimation (Continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values as at 31 December 2020 and 2019.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2020				
Financial assets at fair value through profit or loss:				
Listed equity securities in Hong Kong	17,463	–	–	17,463
As at 31 December 2019				
Financial assets at fair value through profit or loss:				
Listed equity securities in Hong Kong	15,707	–	–	15,707
Derivative financial instruments:				
Redemption option embedded in convertible notes (note)	–	–	–	–

note: Redemption option embedded in convertible notes classified as derivative financial instrument are measured at fair value at the end of each reporting period. Redemption option of convertible notes are determined with Binomial option pricing model as valuation technique and all inputs are observable except expected volatility which should be considered as Level 3.

Reconciliation of Level 3 fair value measurements

	Derivative financial instrument HK$'000
As at 1 January 2019	542
Fair value loss	(542)
As at 31 December 2020 and 2019	–

The higher the expected volatility, the higher the fair value of redemption option embedded in convertible notes.

During the years ended 31 December 2020 and 2019, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3.

7. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (the "**CODM**") has been identified as the key management of the Group. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM considers the business from both a business and geographic perspective. From business perspective, CODM assesses the performance of internet and mobile's application and related accessories operating segments.

– Internet & mobile's application and related accessories segment are mobile payment platform and gaming industry and in particular in application development for merchants, online gaming, interactive virtual reality experience utilities application for mobile platform and mass advertising.

The following table presents the Group's revenue, segment results and other information for business segments:

	Internet and Mobile's Application and Related Accessories		Unallocated		Total	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Revenue – external sales	60,324	93,904	–	–	60,324	93,904
Segment results	(42,816)	(47,857)	–	–	(42,816)	(47,857)
Unallocated other operating income					765	9
Fair value loss of derivative financial assets					–	(542)
Gain on disposal of subsidiaries					9,555	–
Unrealised loss on financial assets at fair value through profit or loss					(399)	(1,213)
Realised gain on disposal of financial asset at fair value through profit or loss					–	243
Unallocated expenses					(17,631)	(29,687)
Finance costs					(899)	(764)
Loss before taxation					(51,425)	(79,811)
Taxation					297	4,082
Loss for the year					(51,128)	(75,729)

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the CODM for assessment of segment performance. Segment assets do not include financial assets at fair value through profit or loss and other unallocated head office and corporate assets. Segment liabilities do not include deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities.

	Internet and Mobile's Application and Related Accessories		Unallocated		Total	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Segment assets	453,358	521,172	340	18,934	453,698	540,106
Segment liabilities	3,220	27,713	26,290	42,824	29,510	70,537
Other segment information:						
Capital expenditure	27	171	–	–	27	171
Loss on disposal of property, plant and equipment	–	(683)	(6)	–	(6)	(683)
Fair value loss of derivative financial assets	–	–	–	(542)	–	(542)
Unrealised loss on financial assets at fair value through profit or loss	–	–	(399)	(1,213)	(399)	(1,213)
Depreciation of property, plant and equipment	(382)	(388)	(6)	(6)	(388)	(394)
Amortisation of intangible assets	(6,646)	(6,646)	–	–	(6,646)	(6,646)
Allowance for expected credit losses on trade receivables	(750)	(1,149)	–	–	(750)	(1,149)
Allowance for expected credit losses on deposits, prepayments and other receivables	(4,302)	(6,754)	–	–	(4,302)	(6,754)
Finance costs	–	–	(899)	(764)	(899)	(764)

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The Group's revenue from its major products and services were as follow:

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of IFRS 15:		
Mobile's application development and settlement application services	**59,319**	90,742
Computer and mobile related electronic products	**1,005**	3,162
	60,324	93,904
Time of revenue recognition:		
At a point in time	**60,324**	93,904

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the People's Republic of China ("**PRC**") (excluding Hong Kong). The Group's revenue from end customers is divided into following geographical area and the Group's non-current assets by geographical location:

	Revenue		Non-current assets	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Hong Kong	**6,387**	11,232	**24,124**	31,170
The PRC	**53,937**	82,672	**–**	1
Others	**–**	–	**4**	10
	60,324	93,904	**24,128**	31,181

	Segment assets		Segment liabilities		Additions to non-current assets		Amortisation and depreciation	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Hong Kong	**447,616**	499,404	**21,546**	31,869	**27**	171	**7,028**	7,034
The PRC	**5,647**	4,653	**7,395**	37,692	**–**	–	**–**	–
Others	**435**	36,049	**569**	976	**–**	–	**6**	6
	453,698	540,106	**29,510**	70,537	**27**	171	**7,034**	7,040

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customer

Revenue from major customers, accounted for the 10% or more of the Group's revenue, are set out below:

	2020 HK$'000	2019 HK$'000
Customer A	**41,184**	43,496
Customer B	**8,838**	– note

note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER REVENUES AND GAINS

	2020 HK$'000	2019 HK$'000
Bank interest income	**–**	2
Dividend income	**5**	–
Sundry income	**57**	7
Government subsidies (note)	**703**	–
Gain on disposal of subsidiaries	**9,555**	–
Realised gain on financial assets at fair value through profit or loss	**–**	243
Total	**10,320**	252

note: Government subsidies received from Hong Kong Government did not bear any unfulfilled conditions or contingencies for the relevant subsidies.

9. LOSS FROM OPERATIONS

Loss from operations is stated after charging:

	2020 HK$'000	2019 HK$'000
Depreciation of property, plant and equipment	**388**	394
Cost of inventories sold	**43,485**	72,943
Amortisation of intangible assets	**6,646**	6,646
Loss on disposal of property, plant and equipment	**6**	683
Allowance for expected credit losses on trade receivables	**750**	1,149
Allowance for expected credit losses on deposits, prepayments and other receivables	**4,302**	6,754
Auditors' remuneration		
– Audit services	**620**	800
– Other services	**–**	30
Short term lease payment	**1,570**	1,069
Staff costs:		
– Share-based payment expenses	**10,165**	23,514
– Salaries and allowances, including directors' and chief executive officer's remuneration	**6,697**	5,431
– Retirement benefit schemes contribution	**308**	372
	17,170	29,317

10. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive officer's remuneration

Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Hong Kong Listing Rules):

	Directors' fees		Salaries and bonus		Retirement scheme contribution		Employee share option benefits		Total	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Chief executive officer and executive director:										
Wang Zhongling	240	160	–	–	–	–	978	–	1,218	160
Executive directors:										
Li Jinglong	180	–	–	–	–	–	978	–	1,158	–
Zhang Ligong	180	–	–	–	–	–	978	–	1,158	–
	360	–	–	–	–	–	1,956	–	2,316	–
Independent non-executive directors:										
Kwan King Wah	180	90	–	–	–	–	–	–	180	90
Lo Suet Lai	120	120	–	–	–	–	978	–	1,098	120
Cheng Ruixiong	120	120	–	–	–	–	978	–	1,098	120
	420	330	–	–	–	–	1,956	–	2,376	330
	1,020	490	–	–	–	–	4,890	–	5,910	490

(b) Key management personnel

Remuneration for key management personnel, including directors' and chief executive officer's remuneration, was as follows:

	2020 HK$'000	2019 HK$'000
Salaries and bonus	1,586	1,618
Share-based payment	4,890	–
Retirement scheme contribution	212	242
	6,688	1,860

10. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(c) Employee

Staff costs, excluding the remuneration for key management personnel and directors' and chief executive officer's remuneration, were as follows:

	2020 HK$'000	2019 HK$'000
Wages, salaries and bonus	4,747	3,344
Share-based payment	5,275	23,514
Retirement scheme contribution	96	130
Welfare	364	469
	10,482	27,457

(d) Five highest paid individuals

The five highest paid individuals of the Group include five (2019: nil) directors of the Company.

The remuneration paid to the five highest paid individuals (including five (2019: five) individuals of senior management) of the Group during the year was as follows:

	2020 HK$'000	2019 HK$'000
Salaries and bonus	840	2,068
Share-based payment	4,890	–

The number of the five highest paid individuals whose remuneration fell within the following band is as follows:

	2020	2019
Nil to HK$1,000,000	–	5
HK$1,000,000 to HK$1,500,000	5	–
	5	5

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the executive directors, chief executive officer, or any of the independent non-executive directors, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office nor has any director waived or agreed to waive any emoluments.

10. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(e) Senior management of the Group

The number of the senior management of the Group are within the following band:

	2020	2019
Over HK$1,000,000	3	–

During the year, no emoluments were paid by the Group to the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the senior management waived or agreed to waive any emoluments during the year.

(f) Directors material interest in transaction, arrangement or contract

Save for disclosed in Note 35 to these consolidated financial statements, no significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expense on convertible notes	–	585
Interest expense on other borrowings	705	179
Default interest expense on other borrowings	194	–
	899	764

12. TAXATION

	2020 HK$'000	2019 HK$'000
Current tax:		
– Hong Kong	–	109
– The PRC	1,364	857
Reversal of temporary differences in the current year (Note 25)	(1,661)	(5,048)
	(297)	(4,082)

12. TAXATION (CONTINUED)

Hong Kong

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable 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%.

No provision for Hong Kong Profit Tax has been made as the Group had no assessable income or had sufficient tax losses brought forward to offset against current year's assessable profit for the years ended 31 December 2020 and 2019.

The PRC

The PRC Enterprise Income Tax ("**PRC EIT**") is calculated at the applicable tax rates of 25% (2019: 25%) in accordance with the relevant laws and regulations in the PRC.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The income tax expense for the years ended 31 December 2020 and 2019 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Loss before taxation	**(51,425)**	(79,811)
Income tax expense calculated at 25% (2019: 25%)	**(12,856)**	(19,953)
Tax effect of not recognised temporary difference	**(137)**	(1,736)
Tax effect of income not taxable for tax purposes	**(2,364)**	(61)
Tax effect of expenses not deductible for tax purposes	**1,621**	2,415
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,338**	3,451
Effect of estimated tax losses not recognised	**10,101**	11,802
Tax credited for the year	**(297)**	(4,082)

13. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the Group's loss attributable to owners of the Company of approximately HK$41,800,000 (2019: HK$74,635,000) and weighted average number of ordinary shares in issue during the year ended 31 December 2020 of 2,743,729,744 (2019: 2,743,729,744).

The basic and diluted loss per share are the same for the years ended 31 December 2020 and 2019 as the effect of the share options does not have any dilutive effect (2019: share options and convertible notes outstanding were anti-dilutive).

14. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Mould HK$'000	Motor vehicles HK$'000	Development tools HK$'000	Total HK$'000
Cost						
As at 1 January 2019	805	7,378	2,000	1,022	39,291	50,496
Additions	28	143	–	–	–	171
Disposals	–	(854)	–	–	–	(854)
Written-off	–	–	(2,000)	–	(39,291)	(41,291)
Exchange alignment	–	(87)	–	–	–	(87)
As at 31 December 2019 and 1 January 2020	833	6,580	–	1,022	–	8,435
Additions	–	27	–	–	–	27
Disposal of subsidiaries (Note 34)	–	(4,801)	–	–	–	(4,801)
Disposals	–	–	–	(90)	–	(90)
Exchange alignment	–	1	–	–	–	1
As at 31 December 2020	**833**	**1,807**	**–**	**932**	**–**	**3,572**
Accumulated depreciation						
As at 1 January 2019	680	6,430	2,000	442	39,291	48,843
Charged for the year	31	186	–	177	–	394
Disposals	–	(171)	–	–	–	(171)
Written-off	–	–	(2,000)	–	(39,291)	(41,291)
Exchange alignment	–	(80)	–	–	–	(80)
As at 31 December 2019 and 1 January 2020	711	6,365	–	619	–	7,695
Charged for the year	31	192	–	165	–	388
Disposal of subsidiaries (Note 34)	–	(4,800)	–	–	–	(4,800)
Disposals	–	–	–	(46)	–	(46)
Exchange alignment	–	2	–	–	–	2
As at 31 December 2020	**742**	**1,759**	**–**	**738**	**–**	**3,239**
Carrying amount						
As at 31 December 2020	**91**	**48**	**–**	**194**	**–**	**333**
As at 31 December 2019	122	215	–	403	–	740

16. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**187,566**	187,566
Accumulated impairment losses		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**182,880**	182,880
Carrying amount		
As at end of the year	**4,686**	4,686

For the years ended 31 December 2020 and 2019, goodwill has been allocated for impairment testing purposes to the CGU of mobile's application development and settlement application services business (the "Mobile CGU") by the Group as below, which is classified into the Group's reportable segment of Internet and mobile's application and related accessories.

Particular of impairment assessment on goodwill are disclosed below:

The carrying amount of goodwill was allocated to CGU as follows:

	2020 HK$'000	2019 HK$'000
The Mobile CGU	**4,686**	4,686

At the end of each reporting period, the goodwill was allocated to the Mobile CGU for impairment assessment and based on which, no additional impairment loss (2019: Nil) was recognised for the year ended 31 December 2020, as further detailed in Note 17 to these consolidated financial statements.

17. INTANGIBLE ASSETS

The movement of intangible assets during the year was as follows:

	Logo HK$'000	Product development and design HK$'000	Contract rights HK$'000	Mobile application software and technology HK$'000	Brand name and distribution network HK$'000	Total HK$'000
Cost						
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**148**	**629,637**	**1,199,321**	**98,000**	**89,932**	**2,017,038**
Accumulated amortisation and impairment						
As at 1 January 2019	148	629,637	1,199,321	98,000	57,531	1,984,637
Amortisation for the year	–	–	–	–	6,646	6,646
As at 31 December 2019 and 1 January 2020	148	629,637	1,199,321	98,000	64,177	1,991,283
Amortisation for the year	–	–	–	–	6,646	6,646
As at 31 December 2020	**148**	**629,637**	**1,199,321**	**98,000**	**70,823**	**1,997,929**
Carrying amount						
As at 31 December 2020	**–**	**–**	**–**	**–**	**19,109**	**19,109**
As at 31 December 2019	–	–	–	–	25,755	25,755

Amortisation charge of approximately HK$6,646,000 (2019: approximately HK$6,646,000) for the year ended 31 December 2020 is included in selling and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The intangible assets "logo", "product development and design", "contract rights", "mobile application software and technology" and "brand name and distribution network" as disclosed above are amortised over its estimated useful lives, which are 5, 5, 10, 5 and 5 years respectively.

17. INTANGIBLE ASSETS (CONTINUED)

Impairment of intangible assets (brand name and distribution network) and goodwill

During the year ended 31 December 2020, the directors of the Company assessed the recoverable amount of the Mobile CGU to which the intangible asset of approximately HK$19,109,000 (2019: approximately HK$25,755,000) and goodwill of approximately HK$4,686,000 (2019: approximately HK$4,686,000) (Note 16) were allocated. The recoverable amount of the Mobile CGU has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the directors of the Company and valued by the independent professional valuer covering a 5 years period and pre-tax discount rate. Cash flows beyond the 5th year period are extrapolated using the estimated growth rate stated below and this growth rate does not exceed the average long-term growth rate for the industry.

Particular of impairment assessment on intangible assets and goodwill are disclosed below:

The net carrying amount of intangible assets and goodwill were allocated to CGU as follows:

	2020 HK$'000	2019 HK$'000
The Mobile CGU		
– Intangible assets	19,109	25,755
– Goodwill	4,686	4,686
	23,795	30,441

The key assumption used in value in use calculation at 31 December 2020 and 2019 are as follows:

	2020	2019
EBITDA margin (average of next five years)	65.73%	58.63%
Long term growth rate	3%	3%
Discount rate	13.55%	15.80%

Management determined the earning before income tax, finance costs, depreciation and amortisation ("**EBITDA**") margin based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry and the country in which the Mobile CGU currently operates. The discount rate used is pre-tax and reflects specific risks relating to the Mobile CGU.

Based on the above assessment, the management of the Group have assessed the recoverable amount of the Mobile CGU amounting to approximately HK$29,055,000 (2019: approximately HK$34,154,000) which is higher than its carrying value as at 31 December 2020. Accordingly, no impairment loss (2019: Nil) was recognized on the goodwill and intangible assets relating to the Mobile CGU for the year ended 31 December 2020.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Listed investments		
Listed equity securities in Hong Kong	**17,463**	15,707

All financial assets at fair value through profit or loss for trading purpose are stated at fair value. The fair value of listed securities in Hong Kong is determined based on quoted market bid price available on the Stock Exchange.

19. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2020 are set out below:

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
RCG Holdings Limited	British Virgin Islands ("**BVI**") 5 January 2005	US$1	100%	Investment holding
RCG Investment Pte Limited	Singapore 4 May 2011	US$2	100%	Investment in financial assets
Indirectly held				
RCG Hong Kong Holdings Limited	BVI 20 October 1999	US$200	100%	Investment holding
RCG International Holdings Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
Sharp Asia International Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
RCG Malaysia Sdn. Bhd.	Malaysia 7 December 2006	RM2	100%	Investment holding
RCG Corporation Limited	Hong Kong 26 November 1999	HK$2	100%	Hardware and software development

19. PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Biotag International Limited	BVI 29 August 2011	US$2	100%	Investment holding
Tag Station MSC Sdn. Bhd.	Malaysia 22 January 2009	RM5,000,010	100%	Research, development of RFID solution and provision of consultancy services
Most Ideas Limited	BVI 3 January 2012	US$50,000	55%	Investment holding
MG Interactive Limited	Hong Kong 21 June 2016	HK$1,000	55%	Development of Internet and web software
MG Interactive Entertainment Limited	Hong Kong 6 March 2007	HK$980,000	55%	Development of Internet and web software
Goodwill Alliance International Limited	BVI 5 September 2018	US$50,000	100%	Investment holdings
Easy Ideas Limited	BVI 3 January 2012	US$2	74%	Investment holdings
Techno Vision Limited	Hong Kong 14 February 2012	HK$10,000	74%	Computer system developments
盈科創見科技（深圳）有限公司*	PRC 9 August 2012	RMB1,000,000	74%	Computer system developments
華付通聯科技（深圳）有限公司*	PRC 15 May 2018	RMB1,000,000	100%	E-payment system developments

* Wholly-owned foreign enterprises in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of directors of the Company, principally affected the results or assets of the Group. To give the details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

20. TRADE RECEIVABLES

An aged analysis of the trade receivables, arising from contracts with customers within the scope of IFRS 15 as at the end of the reporting period, based on the invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0 to 30 days	**1,282**	6,725
31 to 60 days	**1,477**	4,528
61 to 90 days	**1,044**	8,358
91 to 180 days	**3,283**	18,729
Over 180 days	**4,204**	4,489
	11,290	42,829
Less: Allowance for expected credit losses	**(2,514)**	(1,764)
	8,776	41,065

The credit terms of trade receivables are generally on 30-180 days (2019: 30-180 days) during the year ended 31 December 2020.

Movement in lifetime ECL has been recognized for trade receivables for the years ended 31 December 2020 and 2019 as follows.

	Total HK$000
Balance as at 1 January 2019	615
Allowance for expected credit losses	1,149
Balance as at 31 December 2019 and 1 January 2020	1,764
Allowance for expected credit losses	750
Balance as at 31 December 2020	2,514

Details of assessment of expected credit losses are set out in Note 30(b).

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	224	1,150
Other deposits	428,157	466,274
Other receivables	11,365	13,467
	439,746	480,891
Less: Allowance for expected credit losses	(41,239)	(36,937)
	398,507	443,954

As at 31 December 2020, included in other deposits of approximately HK$408,946,000 (2019: approximately HK$447,012,000) was deposit paid to induce merchants for the use of settlement application services.

Details of assessment of expected credit losses is set out in Note 30(b).

22. CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000
Cash at bank and on hand	4,824	8,199

Included in cash at bank and on hand are the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	2020 HK$'000	2019 HK$'000
Malaysian Ringgit	–	20
United States Dollars	238	18
Renminbi	64	22

As at 31 December 2020, cash and bank balances carry interest at prevailing market saving rates from 0.01% to 0.02% (2019: 0.01% to 0.02%) per annum. Included in cash at bank and on hand of the Group, Renminbi is not a freely convertible currency. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits.

23. SHARE CAPITAL

The following movements in the Company's authorised and issued share capital took place during the years ended 31 December 2020 and 2019:

	Number of shares		Share capital	
	2020 '000	2019 '000	2020 HK$'000	2019 HK$'000
Authorised:				
As at 1 January and 31 December, ordinary shares of HK$0.04 (2019: HK$0.04) each	**50,000,000**	50,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
As at 1 January and 31 December, ordinary shares of HK$0.04 (2019: HK$0.04) each	**2,743,730**	2,743,730	**109,749**	109,749

24. RESERVES

The amounts of the Group's reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Share premium reserves

Under the Company's Bye-Laws or the laws of Bermuda, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) Share-based compensation reserve

It represents value of employee services in respect of share options granted to directors, employees and eligible participants of the Group recognised.

(c) Capital reserve

It represents the difference between the paid-in capital/share capital and share premium of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of group reorganisation prior to its listing on the Stock Exchange.

(d) Conversion equity reserve

The conversion equity reserve represents the equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in Note 4(x).

24. RESERVES (CONTINUED)

(e) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4(c) to the consolidated financial statements.

(f) Legal reserve

In accordance with the PRC Company Law and the Group's PRC subsidiaries' articles of association, the Group's PRC subsidiaries are required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies to the statutory reserve until such reserve reaches 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The legal reserve can be used to offset previous years' losses, if any, and part of the legal reserve can be capitalised as paid-in capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-in capital of the Group's subsidiaries.

25. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities of the Group and movements thereon:

	Intangible assets HK$'000	Convertible notes HK$'000	Total HK$'000
As at 1 January 2019	8,100	3,387	11,487
Credited to consolidated statement of profit or loss and other comprehensive income (Note 12)	(1,661)	(3,387)	(5,048)
As at 31 December 2019 and 1 January 2020	6,439	–	6,439
Credited to consolidated statement of profit or loss and other comprehensive income (Note 12)	(1,661)	–	(1,661)
As at 31 December 2020	**4,778**	**–**	**4,778**

Under the Law of the PRC on EIT, a withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

As at 31 December 2020 and 2019, deferred taxation has not been provided in the financial statements in respect of temporary difference attributable to profits earned by the Group's PRC subsidiaries since 1 January 2008 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

26. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0 to 30 days	**43**	3,633
31 to 60 days	**–**	9,458
61 to 90 days	**–**	7,076
Over 90 days	**1,260**	4,630
	1,303	24,797

The credit terms of trade payables are generally 0-60 days (2019: 0-60 days).

27. ACCRUALS AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Accruals	**3,060**	5,621
Other payables (note)	**17,467**	31,604
	20,527	37,225

note:

As at 31 December 2020, payables of HK$11,000,000 (2019: HK$11,000,000) was included in other payables. It was unsecured, interest bearing at 8% per annum and repayable on or before 12 October 2020. On 13 October 2020, the Group defaulted on repayment of the principal and related accrued interest expenses and the default interest expense of approximately HK$194,000 was recognized during the year ended 31 December 2020. In January 2021, the payables and accrued interest expense were fully settled.

28. CONVERTIBLE NOTES

On 14 October 2016, the Company issued 2.5% coupon convertible notes ("**Convertible Notes**") with a principal amount of HK$320,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.25 per conversion share. The Convertible Notes are intended to be utilized for facilitating the business opportunities relation to the e-payment platform. The maturity date of the Convertible Notes is the date immediately preceding the third anniversary of the date of issue of the Convertible Notes that is 13 October 2019.

The Convertible Notes contain three components: redemption option derivative component, liability component and equity component. The redemption option derivative component is measured at fair value with changes in fair value recognised in profit or loss. The equity component is presented in equity heading "Convertible equity reserve". The effective interest rate of the liability component on initial recognition is 6.34% per annum. The valuation of Convertible Notes was performed by an independent qualified professional valuer at the issue of Convertible Notes.

28. CONVERTIBLE NOTES (CONTINUED)

During the year ended 31 December 2019, no Convertible Notes was converted by the holders and there was no repayment of Convertible Notes. Upon the mature of Convertible Notes on 13 October 2019, the Convertible Notes with the outstanding principal amount of HK$15,000,000 was reclassified to other payables.

Details of Convertible Notes on initial recognition to be approximately as follows:

	Convertible Notes HK$'000
Liability component	**291,744**
Equity component	**448,808**
Redemption option derivative component	**(420,552)**
Nominal value of Convertible Notes issued	**320,000**

The movements of the liability component, equity component and redemption option derivative component of the Convertible Notes during the year are set out below:

Liability component	
As at 1 January 2019	14,709
Imputed interest charged	585
Less: Interest payable	(294)
Transfer to other payables	(15,000)
As at 31 December 2019 and 2020	**–**
Equity component	
As at 1 January 2019	20,902
Transfer to accumulated losses upon mature of Convertible Notes	(20,902)
As at 31 December 2019 and 2020	**–**
Redemption option derivative component	
As at 1 January 2019	(542)
Change in fair value	542
As at 31 December 2019 and 2020	**–**

29. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below show the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss attributable to non-controlling interests		Accumulated non-controlling interests	
		As at 31 December 2020	As at 31 December 2019	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Most Ideas Group (note a)	Hong Kong	**45%**	45%	**(767)**	(200)	**1,533**	2,300
Easy Ideas Group (note b)	Hong Kong	**26%**	26%	**(9)**	(114)	**(362)**	(353)
Individual immaterial subsidiaries with non-controlling interests						**478**	9,030
						1,649	10,977

notes:

(a) MG Interactive Limited and MG Interactive Entertainment Limited are wholly-owned subsidiaries of Most Ideas Limited (Most Ideas Limited and its subsidiaries are thereafter referred as the "Most Ideas Group") as at 31 December 2020 and 2019.

(b) 盈科創見科技(深圳)有限公司 and Techno Vision Limited are wholly-owned subsidiaries of Easy Ideas Limited (Easy Ideas Limited and its subsidiaries are thereafter referred as the "Easy Ideas Group") as at 31 December 2020 and 2019.

29. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of each Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below presents amounts before intragroup eliminations.

Most Ideas Group

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current assets	**136**	370
Current assets	**5,550**	7,019
Current liabilities	**(2,279)**	(2,279)
Equity attributable to owners of the Company	**1,874**	2,810
Non-controlling interest	**1,533**	2,300

	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Revenue	**5,383**	8,069
Expenses	**(7,086)**	(8,514)
Loss for the year	**(1,703)**	(445)
Loss and total comprehensive loss for the year	**(1,703)**	(445)
Loss and total comprehensive loss attributable to owners of the Company	**(936)**	(245)
Loss and total comprehensive loss attributable to the non-controlling interest	**(767)**	(200)
Loss and total comprehensive loss for the year	**(1,703)**	(445)

29. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Most Ideas Group (Continued)

	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Net cash (used in)/generated from in operating activities	(736)	133
Net cash (used)/generated	(736)	133

Easy Ideas Group

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current assets	–	–
Current assets	–	1
Current liabilities	(1,391)	(1,358)
Equity attributable to owners of the Company	(1,029)	(1,004)
Non-controlling interests	(362)	(353)

29. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Easy Ideas Group (Continued)

	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Revenue	**–**	–
Expenses	**(34)**	(438)
Loss for the year	**(34)**	(438)
Loss and total comprehensive loss for the year	**(34)**	(438)
Loss and total comprehensive loss attributable to owners of the Company	**(25)**	(324)
Loss and total comprehensive loss attributable to the non-controlling interest	**(9)**	(114)
Loss and total comprehensive loss for the year	**(34)**	(438)

	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Net cash used in operating activities	**(29)**	(392)
Net cash used	**(29)**	(392)

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**17,463**	15,707
Financial assets at amortised cost (including cash and bank balances)	**411,883**	492,068
Financial liabilities		
Financial liabilities at amortised cost	**21,830**	62,022

(b) Financial risk management objective and policies

Market Risk

The Group's major financial instruments include financial assets at fair value through profit or loss, trade and other receivables, trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Price Risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated in equity securities listed in Hong Kong industry sector quoted in the Stock of Exchange for the year ended 31 December 2020. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the equity prices had been 15% higher/lower (2019: 15% higher/lower):

- post-tax loss for the year ended 31 December 2020 would decrease/increase by approximately HK$2,619,000 (2019: post-tax loss decrease/increase by approximately HK$2,356,000) as a result of change in fair value of financial assets at fair value through profit or loss.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Market Risk (Continued)

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and Hong Kong dollars ("HKD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Company's management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's convertible notes bear interests at fixed interest rates which expose the Group to fair value interest rate risks.

The Group's exposure to cash flow interest rate risk mainly arises from its bank deposits. These bank deposits bear interests at floating rates varied with the prevailing market condition.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, and its income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, other deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by management of the Group. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management of the Group based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company believe that the credit risk is significantly reduced. The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for 90.7% as at 31 December 2020 (2019: 84.3%) of the trade receivables and the largest trade receivable was 68.7% (2019: 21.0%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Credit risk (Continued)

The Group applies with simplified approach to provide for expected credit losses presented by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

Trade receivables

As at 31 December 2019	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Expected credit loss rate	2.51%	2.63%	2.56%	3.47%	13.63%	
Gross carrying amount (HK$'000)	6,725	4,528	8,358	18,729	4,489	42,829
Lifetime ECL (HK$'000)	(169)	(119)	(214)	(650)	(612)	(1,764)
	6,556	4,409	8,144	18,079	3,877	41,065

As at 31 December 2020	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Expected credit loss rate	**8.19%**	**13.47%**	**15.42%**	**13.31%**	**38.34%**	
Gross carrying amount (HK$'000)	**1,282**	**1,477**	**1,044**	**3,283**	**4,204**	**11,290**
Lifetime ECL (HK$'000)	**(105)**	**(199)**	**(161)**	**(437)**	**(1,612)**	**(2,514)**
	1,177	**1,278**	**883**	**2,846**	**2,592**	**8,776**

Other receivables and other deposits

For other receivables and other deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and other deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Credit risk (Continued)

Other receivables and other deposits (Continued)

The movement of loss allowances for other receivables and other deposits during the years ended 31 December 2020 and 2019 are as follows:

	Other receivables and other deposits HK$'000
At 1 January 2019	30,183
Allowance for expected credit losses	6,754
At 31 December 2019 and 1 January 2020	36,937
Allowance for expected credit losses	4,302
At 31 December 2020	41,239

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bank balances held to be delayed or limited. The directors of the Company monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk at 31 December 2020 and 2019 were minimal.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following tables detail the Group's remaining contractual maturity for its non-derivate financial liabilities based on the agreed repayment terms as at 31 December 2020 and 2019. The tables have 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. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Contractual undiscounted cash flow					
	On demand and within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020						
Non-derivative financial liabilities						
Trade payables	1,303	–	–	–	1,303	1,303
Accruals and other payables	20,527	–	–	–	20,527	20,527
	21,830	–	–	–	21,830	21,830
As at 31 December 2019						
Non-derivative financial liabilities						
Trade payables	24,797	–	–	–	24,797	24,797
Accruals and other payables	37,225	–	–	–	37,225	37,225
	62,022	–	–	–	62,022	62,022

(c) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The Group's overall strategy remains unchanged from 2019 to 2020.

The capital structure of the Group consists of net debts and equity of the Group (comprising issued capital and all reserves as stated in consolidated statement of changes in equity).

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Capital risk management (Continued)

The gearing ratio at end of the reporting period was as follows.

	2020 HK$'000	2019 HK$'000
Debt	**–**	–
Less: cash and bank balances (Note 22)	**(4,824)**	(8,199)
Net debt	**(4,824)**	(8,199)
Equity	**424,188**	469,569
Net debt to equity ratio	**N/A**	N/A

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. As at 31 December 2020 and 2019, the Group has maintain a public float of at least 25% of the shares.

(d) Fair value of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values as at 31 December 2020 and 2019.

Reconciliation of Level 3 fair value measurements

	Derivative financial instrument (Note 28) HK$'000
As at 1 January 2019	542
Fair value loss	(542)
As at 31 December 2020 and 2019	–

The higher the expected volatility, the higher the fair value of redemption option embedded in Convertible Notes.

During the years ended 31 December 2020 and 2019, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3.

31. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current asset		
Investments in subsidiaries	**60,928**	60,928
	60,928	60,928
Current assets		
Deposits, prepayments and other receivables	**–**	433,316
Amounts due from subsidiaries (note i)	**356,481**	–
Cash and bank balances	**2,292**	1,018
	358,773	434,334
Total assets	**419,701**	495,262
CAPITAL AND RESERVES		
Share capital	**109,749**	109,749
Reserves (note ii)	**296,463**	333,745
Equity attribute to owners of the Company	**406,212**	443,494
Current liabilities		
Amounts due to subsidiaries (note i)	**–**	30,160
Accruals and other payables	**13,489**	21,608
Convertible notes	**–**	–
	13,489	51,768
Total liabilities	**13,489**	51,768
Total equity and liabilities	**419,701**	495,262
Net current assets	**345,284**	382,566
Total assets less current liabilities	**406,212**	443,494

The financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2021 and signed on its behalf by:

Li Jinglong	**Zhang Ligong**
Executive Director	*Executive Director*

31. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

note:

(i) The amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(ii) Reserves of the Company:

	Share premium (Note 24(a)) HK$'000	Share-based compensation reserve (Note 24(b)) HK$'000	Capital reserve (Note 24(c)) HK$'000	Convertible equity reserve (Note 24(d)) HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2020	2,828,249	52,996	8,877	–	(2,556,377)	333,745
Loss and total comprehensive loss for the year	–	–	–	–	(47,447)	(47,447)
Grant of share option (Note 33)	–	10,165	–	–	–	10,165
Lapse of share option (Note 33)	–	(28,892)	–	–	28,892	–
As at 31 December 2020	**2,828,249**	**34,269**	**8,877**	**–**	**(2,574,932)**	**296,463**
As at 1 January 2019	2,828,249	82,420	8,877	20,902	(2,557,388)	383,060
Loss and total comprehensive loss for the year	–	–	–	–	(72,829)	(72,829)
Grant of share option (Note 33)	–	23,514	–	–	–	23,514
Lapse of share option (Note 33)	–	(52,938)	–	–	52,938	–
Transfer to accumulated losses upon mature of convertible notes (Note 28)	–	–	–	(20,902)	20,902	–
As at 31 December 2019	2,828,249	52,996	8,877	–	(2,556,377)	333,745

32. OPERATING LEASE ARRANGEMENTS

During the year ended 31 December 2020, the Group entered into commercial leases on certain offices. Leases are generally negotiated for a term of two years. Rentals are fixed at the date of signing of lease agreement. At the end of the year ended date, the outstanding lease commitments is approximately HK$537,000 (2019: HK$Nil).

33. SHARE-BASED COMPENSATION RESERVE

	2020 HK$'000	2019 HK$'000
As at the beginning of the year	**52,996**	82,420
Exercise/cancellation/lapse of share options	**(28,892)**	(52,938)
Grant of share options	**10,165**	23,514
As at the end of the year	**34,269**	52,996

(a) The Company has adopted the option scheme on 28 June 2013 (the "Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any company in the Group, to take up options at HK$1 consideration to subscribe for shares of the Company. The Option Scheme will remain in force for a period of 10 years commencing from 28 June 2013. Options granted must be accepted within 21 days from the date of the grant. The exercise period of the share options granted is determined by the directors of the Company but not later than 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares of the Company.

The purpose of the Option Scheme is to provide incentives and/or rewards to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company.

The maximum number of shares in respect of which share options may be granted under the Option Scheme and any other share option scheme of the Company shall be 10% of the shares in issue as at 28 June 2013. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The exercise price must be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of 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 quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of the grant.

33. SHARE-BASED COMPENSATION RESERVE (CONTINUED)

(a) (Continued)

During the year ended 31 December 2020, the Company granted 274,000,000 (2019: 274,370,000) share options to eligible participants and no share option was exercised (2019: Nil).

All options are to be settled in cash. Staff who had resigned from the Group would forfeit their respective granted share options.

(b) Movements in the number of share options outstanding and the related weighted average exercise prices are as follows:

	2020		2019	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
Outstanding as at the beginning of the year	**HK$0.207**	**522,752,913**	HK$0.340	405,702,913
Lapse of share options	**HK$0.201**	**(250,989,913)**	HK$0.559	(157,320,000)
Grant of share options	**HK$0.086**	**274,000,000**	HK$0.213	274,370,000
Outstanding as at the end of the year	**HK$0.1488**	**545,763,000**	HK$0.207	522,752,913

33. SHARE-BASED COMPENSATION RESERVE (CONTINUED)

(b) (Continued)

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Number of share options outstanding at 31 December
2020								
Other employees in aggregate	29 April 2010	25.44	12,913	–	–	(12,913)	–	–
			12,913	–	–	(12,913)	–	–
Eligible participants	28 July 2017	0.1990	248,370,000	–	–	(223,540,000)	–	24,830,000
	15 April 2019	0.2134	274,370,000	–	–	(27,437,000)	–	246,933,000
	11 May 2020	0.0860	–	274,000,000	–	–	–	274,000,000
			522,740,000	274,000,000	–	(250,977,000)	–	545,763,000
			522,752,913	274,000,000	–	(250,989,913)	–	545,763,000
Weighted average exercise price (HK$)			0.207	0.086	–	0.201	–	0.1488

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Number of share options outstanding at 31 December
2019								
Other employees in aggregate	29 April 2010	25.44	12,913	–	–	–	–	12,913
			12,913	–	–	–	–	12,913
Eligible participants	26 January 2016	0.2370	5,000,000	–	–	(5,000,000)	–	–
	1 June 2017	0.5700	152,320,000	–	–	(152,320,000)	–	–
	28 July 2017	0.1990	248,370,000	–	–	–	–	248,370,000
	15 April 2019	0.2134	–	274,370,000	–	–	–	274,370,000
			405,690,000	274,370,000	–	(157,320,000)	–	522,740,000
			405,702,913	274,370,000	–	(157,320,000)	–	522,752,913
Weighted average exercise price (HK$)			0.340	0.213	–	0.559	–	0.207

33. SHARE-BASED COMPENSATION RESERVE (CONTINUED)

(c) As at 31 December 2020 and 2019, outstanding share options have the following remaining contractual lives and exercise prices:

Exercise price	2020 Remaining contractual life	2020 Number of options	2019 Remaining contractual life	2019 Number of options
Share Options granted on 28 July 2017	**6.6 years**	**24,830,000**	7.6 years	248,370,000
Share Options granted on 15 April 2019	**8.3 years**	**246,933,000**	9.3 years	274,370,000
Share Options granted on 11 May 2020	**2.4 years**	**274,000,000**	–	–

(d) According to the Binomial option pricing model, the values and adjusted values of the options granted are as follows:

Fair value of share options granted during the year ended 31 December 2020 and assumptions

	2020	2019
Fair value of each share option at grant date	**HK$0.04**	HK$0.09
Share price of each share at grant date	**HK$0.084**	HK$0.209
Exercise price of each share option	**Hk$0.086**	HK$0.213
Expected volatility	**104%**	86%
Option life	**3 years**	10 years
Expected dividend yield	**–**	–
Risk-free interest rate	**0.352%**	1.61%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 11 May 2020 was approximately HK$10,165,000, of which HK$10,165,000 have been charged as share-based compensation expenses to profit or loss for the year ended 31 December 2020.

There was no market vesting condition or non-market performance condition associated with the options granted.

34. DISPOSAL OF SUBSIDIARIES

On 1 July 2020, the Group and an independent third party as the buyer entered into a share transfer agreement pursuant to which the Group agreed to sell and the buyer agreed to purchase the Group's entire 100% equity interests in RCG China Holdings Limited ("**RCG China**") at a consideration of HK$100,000. RCG China owned 100% equity interest of 宏霸數碼科技（北京）有限公司, which owns 100% equity interest in 上海通若信息科技有限公司 (collectively referred to as the "**RCG China Group**"). The disposal was completed on 1 July 2020.

The net liabilities of RCG China Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1
Deposits, prepayments and other receivables	400
Cash and bank balances	18
Trade payables	(53)
Accruals and other payables	(4,873)
Tax payables	(538)
Net liabilities	(5,045)
Release of translation reserve upon disposal	(4,410)
Gain on disposal of subsidiaries	9,555
Total consideration	100
Satisfied by:	
Deferred consideration	100
Net cash outflows arising on the disposal:	
Cash and bank balances disposed of	(18)
Net cash outflow	(18)

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transactions:

	2020 HK$'000	2019 HK$'000
Salaries and bonus	**1,020**	490
Share-based payment	**4,890**	–
	5,910	490

36. 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 flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Convertible Notes HK$'000
At 1 January 2019	14,709
Non cash items:	
Accrued interest	(294)
Interest expense	585
Transfer to other payables	(15,000)
At 31 December 2020 and 2019	–

37. NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2020, the equity-settled share-based payment were approximately HK$10,165,000 (2019: HK$23,514,000).

(ii) As disclosed in Note 28 to the consolidation financial statements, the Convertible Notes with the principal amount of HK$15,000,000 was matured and reclassified to other payables during the year ended 31 December 2019.

(iii) During the year ended 31 December 2020, the Group disposed property, plant and equipment with carrying amount of approximately HK$44,000 (2019: approximately HK$683,000) at a deferred consideration of approximately HK$38,000 (2019: HK$Nil). The deferred consideration was included in other receivables as at 31 December 2020.

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

39. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these consolidated financial statements, COVID-19 has decrease in the Group's revenue. Pending the development and spread of COVID-19 subsequent to the date of the consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

40. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements were approved and authorized for issue by the board of directors on 31 March 2021.

Corporate Information

DIRECTORS

Executive Directors:

Mr. Li Jinglong
Mr. Zhang Ligong
Mr. Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:

Mr. Cheng Ruixiong
Mr. Kwan King Wah
Ms. Lo Suet Lai

COMPANY SECRETARY

Ms. Ng Lai Ching

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PRINCIPAL BANKERS

Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

China e-Wallet Payment Group Limited

中 國 錢 包 支 付 集 團 有 限 公 司 *

* *For purpose of identification only*