联洋智能
PAD

Pan Asia Data Holdings Inc.
聯洋智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1561

Annual Report 2020

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Li Zhong Yuan *(Chairman)*
Ms. Liu Rong Rong

Independent Non-Executive Directors

Mr. Li Gong
Mr. Wang Jianping
Dr. Shi Ping

AUDIT COMMITTEE

Dr. Shi Ping *(Chairman)*
Mr. Li Gong
Mr. Wang Jianping

NOMINATION COMMITTEE

Mr. Li Gong *(Chairman)*
Dr. Li Zhong Yuan
Mr. Wang Jianping

REMUNERATION COMMITTEE

Mr. Wang Jianping *(Chairman)*
Dr. Li Zhong Yuan
Mr. Li Gong

COMPANY SECRETARY

Mr. Wong Ying Kit

AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISERS

As to Hong Kong law
David Norman & Co.
Robertsons

As to PRC law
Beijing Dentons Law Offices, LLP (Shanghai)
ETR Law Firm

As to Cayman Islands law
Harney Westwood & Riegels

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited
China Merchants Bank, Songgang branch
Bank of China, Zengcheng branch
Agricultural Bank of China, Zhongxin branch

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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STOCK CODE

1561

WEBSITE

http://www.irasia.com/listco/hk/pad/

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Pan Asia Data Holdings Inc. (the "Company"), I would like to review the experiences of the Company and its subsidiaries (the "Group" collectively) for the year ended 31 December 2020 in retrospect and put the Group's prospect in the future into perspectives.

2020 was challenging to the Group's manufacturing business of coatings, primarily due to the global pandemic of COVID (the "Pandemic") and escalating tensions between US as the largest economy and China as the 2nd largest economy. In view of the uncertainties created by the US-China trade war, the Group is setting up a new manufacturing plant in Vietnam to diversify the production base of the Group and mitigate the adverse effect of local policies and regulations. In early 2021, the Group started the trial run for the manufacturing plant in Vietnam. The Board will continue to do what it can to try to preserve the value of the coatings business.

2020 turned out to be disruptively adverse to the Chinese operating ecosystem of the Group's third party payment business, virtually amount to a force majeure. During the year ended 31 December 2020, due to (i) sharply increased scrutiny and much more stringent rule enforcement by the regulatory authorities, (ii) sharply intensifying competition among industry participants and newcomers; and (iii) an already highly polarized marketplace being worsened by the imminent entry of foreign multinational players, the financial performance of third party payment business for the year ended 31 December 2020 decreased significantly as compared to that of the corresponding period in 2019. Further details were disclosed and elaborated in announcements on 2 December 2020 and 31 March 2021. The Board has been trying to evaluate options of what it can possibly do to the third party payment business in the best interest of the Company's shareholders.

In the summer of 2020, the Chinese central authority decided to accelerate the adoption of a "dual circulation" pattern of Chinese economic development in which the domestic economic cycle (the "Internal Circulation") plays a leading role with the international economic cycle (the "External Circulation") as its extension and supplement.

The new mega trend towards Internal Circulation in the Chinese economy necessitates accelerated domestic consumption, in which consumer credit plays a critical role in facilitation, and hence, substantially increased demand for AI enabled digital risk management in the whole life cycle of personal credits. The Pandemic has enabled significantly enhanced awareness in the Chinese population of the importance of assurance, while for years the Chinese central authority has taken critical measures such as Health China 2030 to develop an enhanced assurance system, with rapidly growing and expanding commercial insurance as an indispensable supplement especially in healthcare, for China's stable and sustainable domestic development namely Internal Circulation, and therefore, AI-enabled algorithmic solutions to the full value chain of insurance are in much accelerated demand.

AI is right at the very center of ongoing disruptive secular growth under an emerging new economic order globally. Despite materially adverse impacts of the Pandemic, Lian Yang Guo Rong Holdings Limited ("LYGR") with its onshore opco as the Group's flagship in big data analytics (the "OPCO"), and building upon its unique authorization for access to and utilization of canonical database of human behavioral profiles in China for fintech applications, has successfully established its highly competitive and fully compliant data aggregation, connectivity and integration and associated enabling digital technologies and turned into an independent SaaS/PaaS cloud platform for applications of AI enabled algorithmic solutions to retail finance with an initial business focus on personal credits and insurance. Since the 2nd half of 2020, OPCO has had rapid revenue growth from scratch and secured a steadily expanding and impressive list of customers including top tier Chinese banks; leading licensed Chinese consumer finance companies and mega Chinese digital enablers of personal credits etc., and in particular, the largest bank worldwide has become a customer of OPCO in March 2021, a milestone in OPCO's business development and growth.

CHAIRMAN'S STATEMENT

The regulatory paradigm of Chinese cyberspace, which is of paramount importance to cyberspace players in China, has been evolving briskly. Since fall of 2020, promulgation of regulatory evolutions centered around "Deleveraging" and "Anti-monopoly" etc. in retail finance has triggered opportunities of substantively incremental consumer credit balance in trillions for independent big data analytics providers such as OPCO to service, and official publishing of Chinese Personal Information Protection Law in draft etc. and its subsequent enactment expect to cause very deep and long lasting impact on reshuffle and restructure of players in big data industry. With a fully compliant operation solidly built around evolving regulatory ecosystem of Chinese cyberspace, the addressable market of OPCO's SaaS/PaaS cloud platform is not only enormous already but quickly expanding in leap frog.

The Group is pleased to have secured an agreement to acquire further interest in and consolidate control of LYGR as disclosed in the announcement dated 11 February 2021, embarking on a high growth mega trend arising from the accelerated demand from Internal Circulation of Chinese economic development. The Company is confident of establishing itself into an anchor position to capture prospect of huge economic returns to boost its shareholders' value significantly and sustainably, and meanwhile, generate social value for the benefit of Chinese society as a whole.

On behalf of the Board, I would like to take the opportunity to extend my wholehearted appreciations to our shareholders for their support; to our customers for their business opportunities given; and to our staff for their valuable contributions to the Group.

Li Zhong Yuan
Chairman

Hong Kong, 31 March 2021

RESULTS AND FINANCIAL OVERVIEW

Pan Asia Data Holdings Inc. (the "Company") and its subsidiaries (together the "Group") had a consolidated revenue of approximately HK$622,068,000 (2019: HK$730,699,000) for the year ended 31 December 2020. This represented a decrease of approximately 14.9% compared with that for the previous year mainly due to significant decreases in both the business activities of Group's third-party payment services segment and manufacturing and trading of coatings segment.

The Group generated revenue from provision of third-party payment services of approximately HK$291,304,000 (2019: HK$295,674,000) and manufacturing and trading of coatings of approximately HK$330,764,000 (2019: HK$435,025,000) for the year ended 31 December 2020.

Loss attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately HK$627,682,000 (2019: HK$23,309,000), mainly attributable to (i) substantial impairment losses on the Group's intangible assets, including goodwill; (ii) increases in corporate expenses and finance costs; and (iii) the recognition of impairment losses of interests in associates.

Loss per share for the year ended 31 December 2020 was approximately HK93.4 cents (2019: HK3.8 cents).

The Group's net asset value per share attributable to owners of the Company as at 31 December 2020 was approximately HK$0.3 (2019: HK$1.1).

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held on Wednesday, 30 June 2021. To determine eligibility to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021, both dates inclusive, during which period no transfer of shares will be effected. In order for their holders to be eligible to attend and vote at the Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 24 June 2021.

BUSINESS REVIEW

Big Data Business

Lian Yang Guo Rong Holdings Limited ("Lian Yang Holdings"), an associate of the Company, and its subsidiaries ("Lian Yang Group") are principally engaged in the development of big data mining, modelling and analytics in general, and the provision of digital risk management and other digital services in retail financial services in particular. Lian Yang Group is an independent and fast growing "SaaS/PaaS" cloud platform, which focuses on providing artificial intelligence "AI"-enabled algorithmic solutions to the providers of retail financial services in China, especially in consumer finance and commercial insurance, by way of wholly devoted entrepreneurial drive to market needs through relentless innovations and dedicated executions while fully leveraging upon and synergizing with its particular positioning of public private partnerships in the IT and communications fields and uniquely authorized and compliant access and utilization rights to the canonical database for providing enterprise services with fintech applications.

The acquisition of an interest in Lian Yang Group was completed on 31 December 2019 and it is classified as "interests in associates". Lian Yang Holdings is accounted for using the equity method of accounting in the consolidated financial statements of the Group. During the year ended 31 December 2020, Lian Yang Group significantly expanded its customer reach among PRC banks and licensed consumer finance companies as well as top-tier internet finance companies. Lian Yang Group, leveraging the authorized access to and utilization of massive canonical data and beefing up its human capital successfully, completed commercialization of products in the field of consumer finance services and started providing digital risk management services to Chinese financial institutions. During the year ended 31 December 2020, the Group's share of loss of Lian Yang Group amounted to approximately HK$6,379,000 (2019: Nil).

On 11 February 2021, the Company entered into a share purchase agreement with Lian Yang Investment Limited ("Lian Yang Investment") (as the vendor), Shanghai Bai Pai Digital Science and Technology LLP* (上海百派數字科技合夥企業(有限合夥)) and Shanghai Pu En Network Science and Technology LLP* (上海普恩網路科技合夥企業(有限合夥)) (collectively, the guarantors) and Lian Yang Holdings. Under that agreement, Lian Yang Investment shall as beneficial owners sell, and the Company shall purchase, 7,172 shares of Lian Yang Holdings at consideration which shall be satisfied by the allotment and issue of 69,106,895 new ordinary shares by the Company to Lian Yang Investment at the issue price of HK$1.35 per share. Upon completion, the Company will hold a 54.22% equity interest in Lian Yang Holdings and Lian Yang Holdings will become a subsidiary of the Company.

Third-Party Payment Services Business

Mao Hong Information Technology Holding Limited ("Mao Hong"), a non-wholly owned subsidiary of the Company, and its subsidiaries ("Mao Hong Group") operate a digital payment platform, which provides third-party payment services through the following services and products, namely, (1) Internet payment services, (2) Prepaid card issue and management services and (3) others ("Third-Party Payment Services Segment").

The acquisition of Mao Hong was completed on 9 August 2019. Therefore, only the financial results from 9 August 2019 to 31 December 2019 (less than 5 months) of Mao Hong and its subsidiaries were consolidated in the consolidated financial statements of the Group for the year ended 31 December 2019. The Third-Party Payment Services Segment contributed revenue of approximately HK$291,304,000 (2019: HK$295,674,000), which represented a decrease of approximately 1.5%, and segment loss of approximately HK$1,256,897,000 (2019: segment profit of approximately HK$95,544,000) to the Group for the year ended 31 December 2020.

During the year ended 31 December 2020, there was a significant decrease in the business activities of Group's Third-Party Payment Services Segment mainly attributable to the following reasons:

1. Sharply increased scrutiny and much more stringent rule enforcement by the regulatory authorities.

   In preparation for the launch of the e-RMB, since the third quarter of 2020 the regulatory authorities in China have drastically stepped up their scrutiny and rule enforcement efforts on the fintech industry. The third-party payment industry has been hit particularly hard. The total amount of fines imposed on third-party payment service providers across the entire industry doubled in 2020 to over RMB300 million.

2. Sharply intensifying competition among industry participants.

   Since the beginning of 2020, mega Internet players such as Pinduoduo, Kuaishou, Ctrip and ByteDance all announced acquisitions of third-party payment licenses. These mega Internet players bring significant captive payment demand and well-developed industry applications related to payment throughout supply chains of their respective core businesses. The industry competition intensified for independent medium/small sized players like Mao Hong due to challenges in pricing and customer acquisitions.

3. An already highly polarized marketplace to be worsened by the imminent entry of foreign multinational players.

   While there are over 230 license holders in the third-party payment industry, the top two players, namely, Alipay and Tenpay, together take up over 94% of the market share. The industry is thus highly polarized with small and medium players fiercely competing among themselves. Going forward, the competitive environment is expected to worsen further as China has announced that it would open up the marketplace to foreign players. Indeed, Pay-Pal has already acquired a third-party payment license through the acquisition of a local Chinese player.

* *English translation of name is for identification purpose only*

Based on management's assessment on the recoverable amounts of Mao Hong, the impairment loss of approximately HK$338,250,000 (2019: nil) and approximately HK$909,242,000 (2019: nil) on goodwill and other intangible assets respectively, were charged to consolidated statement of profit or loss under "impairment losses of goodwill and other intangible assets".

Coatings Business

During the year ended 31 December 2020, due to the temporary suspension of production in the coatings business after the outbreak of COVID-19 in early 2020 and the continued tension in Sino-US relations, revenue for the coatings business decreased to approximately HK$330,764,000 (2019: HK$435,025,000). This represented a decrease of approximately 24.0% compared with that for the previous year. With tightened controls over operating costs and expenses, the segment profit for the coatings business increased to approximately HK$57,727,000 (2019: HK$40,864,000) for the year ended 31 December 2020.

During the year ended 31 December 2020, the Group's share of profit of CMW Holding Limited, an associate of the Company, amounted to approximately HK$28,981,000 (2019: HK$3,707,000) due to terminating the production of certain products with low profit margins and shifting their production capacity to products with higher profit margins.

In view of the uncertainties created by the US-China trade war, the Group is setting up a new manufacturing plant in Vietnam to diversify the production base of the Group and mitigate the adverse effect of local policies and regulations. The Company has established an indirect wholly-owned subsidiary, Manfield Coatings Vietnam Company Limited ("Manfield Vietnam") for such purpose. Manfield Vietnam was established on 15 November 2019 and the total amount of investment for the project is expected to be VND149,986 million (equivalent to approximately HK$50.4 million at an exchange rate of HK$1 to VND2,975). In early 2021, the Group started the trial run for the manufacturing plant in Vietnam. As at 31 December 2020, the Group's actual investment in the Vietnam project amounted to approximately HK$39.0 million.

Overall Performance

For the year ended 31 December 2020, the gross profit and gross profit margin of the Group decreased to approximately HK$136,756,000 (2019: HK$207,784,000) and approximately 22.0% (2019: 28.4%) respectively mainly due to the significant decreases in both the business activities of the Group's Third-Party Payment Services Segment and manufacturing and trading of coating segment.

Other losses of the Group decreased to approximately HK$1,465,000 (2019: HK$7,253,000) for the year ended 31 December 2020. The decrease was primarily due to (i) the increase in government grants and (ii) the decrease in loss on fair value change of contingent consideration payable.

Administrative expenses of the Group increased to approximately HK$152,712,000 (2019: HK$119,519,000) for the year ended 31 December 2020. The increase was mainly attributable to (i) an increase in total staff costs due to an increase in average head count of the Group in 2020 when compared with that of 2019; and (ii) an increase in depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets.

Finance costs of the Group increased to approximately HK$52,780,000 (2019: HK$16,702,000) for the year ended 31 December 2020, mainly due to an increase in borrowings of the Group in the second half of 2019.

For the year ended 31 December 2020, the Group recognised an income tax credit of approximately HK$233,342,000 (2019: income tax expense of approximately HK$8,400,000), which mainly represented a reversal of deferred tax liabilities in respect of fair value adjustments on intangible assets.

Others

The arbitration application to Shanghai International Economic and Trade Arbitration Commission in relation to the intended exercise of its right to dispose of a 40% equity interest in Manfield Teknos (Changzhou) Chemical Company Limited is still in process. Such arbitration has no significant impact on the Group's operation, financial position and solvency and the operations of the Group remain normal.

On 22 April 2020 and 14 May 2020, the Company entered into a subscription agreement and a supplemental agreement with the subscriber, being an independent third party to the Group, pursuant to which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue a total of 14,288,000 new ordinary shares at a price of HK$3.50 per subscription share (the "Subscription"). On 13 May 2020 and 22 May 2020, an aggregate of 14,288,000 shares were allotted and issued by the Company to the subscriber at the subscription price of HK$3.50 per share paid in cash. The net subscription price was approximately HK$3.49 per share. The closing prices of the Company's share on 22 April 2020 and 14 May 2020 were HK$3.49 and HK$3.48 per share respectively. The gross proceeds raised were approximately HK$50.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK$49.8 million, which are intended to be used for the Group's development of new business (such as marketing and client development, amongst others) and general working capital purposes (such as overhead, inventory and debt management, amongst others). Details of the subscription of new shares under general mandate were disclosed in the Company's announcements dated 22 April 2020 and 14 May 2020. As at the date of this annual report, all proceeds from the Subscription have been utilised as intended.

USE OF NET PROCEEDS FROM LISTING

Following the listing of its shares, the Company received net proceeds of approximately HK$119.9 million from the placing and public offer of the Company's shares in December 2015 (the "Listing") after the deduction of underwriting commissions and all related expenses. On 31 December 2019, the Board resolved to change the proposed use of net proceeds from the Listing. Details of the utilised net proceeds as at 31 December 2020 are set out as follows:

Use	Revised allocation HK$ million	Utilisation as at 31 December 2020 HK$ million	Remaining balance after revised allocation HK$ million
Funding of phase two of construction of the Springfield Chemical (Guangzhou) Company Limited (廣州源輝化工有限公司*) ("Springfield") production facilities	33.1	15.5	17.6
Purchase of additional machinery and equipment	12.0	12.0	–
Partial settlement of the purchase price of the land for phase two of construction of the Springfield production facilities	1.4	–	1.4
Repayment of a bank overdraft facility	20.0	20.0	–
General working capital of the Group	2.9	2.9	–
Long term lease for a piece of land in Vietnam	5.4	5.4	–
Construction of Vietnam production facilities	13.1	13.1	–
Purchase of additional machinery and equipment, and other cost for Vietnam production	9.5	4.2	5.3
General working capital of Vietnam operation	22.5	16.3	6.2
	119.9	89.4	30.5

Saved as disclosed above, the Directors are not aware of any material change to the planned use of the proceeds as at the date of this annual report.

* *English translation of name is for identification purpose only*

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE, CHARGE ON ASSETS AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2020, the Group's non-current assets of approximately HK$1,104,740,000 (2019: HK$2,326,854,000) consisted of property, plant and equipment of approximately HK$134,082,000 (2019: HK$99,368,000), right-of-use assets of approximately HK$73,273,000 (2019: HK$70,051,000), intangible assets of approximately HK$626,681,000 (2019: HK$1,827,270,000), interests in associates of approximately HK$261,801,000 (2019: HK$325,586,000), financial assets at fair value through profit or loss of approximately HK$544,000 (2019: HK$511,000), deferred tax assets of approximately HK$5,460,000 (2019: HK$1,440,000) and deposits paid for non-current assets of approximately HK$2,899,000 (2019: HK$2,628,000). These non-current assets are principally financed by the shareholders' funds and borrowings of the Group. As at 31 December 2020, the Group's net current assets amounted to approximately HK$75,361,000 (2019: HK$560,285,000).

As at 31 December 2020, the Group had total indebtedness of approximately HK$695,749,000 (2019: HK$589,127,000) which comprised borrowings, promissory notes payable and lease liabilities of approximately HK$500,000,000 (2019: HK$550,234,000), approximately HK$163,579,000 (2019: HK$9,391,000) and approximately HK$32,170,000 (2019: HK$29,502,000), respectively. The increase in the Group's promissory notes payable was mainly due to an issuance of promissory notes with principal amounts of HK$230,000,000 in 2020 as part of the consideration to acquire a 51% equity interest in Mao Hong.

As at 31 December 2020, all the borrowings of the Group were denominated in Hong Kong dollars. As at 31 December 2019, all the borrowings of the Group, except for an equivalent amount of approximately HK$50,234,000 which was denominated in Renminbi, were denominated in Hong Kong dollars. As at 31 December 2020, other borrowing of HK$500,000,000 (2019: HK$500,000,000) and no bank borrowing (2019: bank borrowings of approximately HK$50,234,000) bear fixed interest rates and floating interest rates, respectively. This other borrowing is non-recourse to the Company but is secured by charges over assets of the Company. As at 31 December 2020, the promissory notes payable bear interest from 0.25% to 1.25% (2019: 0.25% to 1.25%) per annum and are denominated in Hong Kong dollars. Interest rates for all leases are fixed on the contract dates.

As at 31 December 2020, out of the total borrowings, approximately HK$500,000,000 (2019: HK$50,234,000) was repayable within one year and no borrowing (2019: HK$500,000,000) was repayable after one year. For details, please refer to note 29 to the consolidated financial statements in this annual report. As at 31 December 2020, the outstanding principal amount of the promissory notes was approximately HK$165,467,000 (2019: HK$9,400,000).

As at 31 December 2020, the gearing ratio of the Group was approximately 82.7% (2019: 32.9%), calculated by dividing total debts (of which debt represents the sum of borrowings, promissory notes payable and lease liabilities) by total equity multiplied by 100%. Net debt to equity ratio (net debt, being total debts net of bank and cash balances and restricted bank deposits, by total equity) of the Group was approximately 14.0% as at 31 December 2020 (2019: not applicable due to net cash position). The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2020 was approximately 1.1 times (2019: approximately 1.6 times).

As at 31 December 2020 and 2019, save as disclosed in note 29 to the consolidated financial statements in this annual report, the Group did not have any assets under charge/pledge.

The Group's operations are mainly located in the PRC and its transactions, related working capital and borrowing are primarily denominated in Renminbi and Hong Kong dollars. The Group will closely monitor its foreign exchange exposure and will consider hedging significant currency exposure should the need arises.

As at 31 December 2020, the Group had capital commitment contracted for but not provided — acquisition of property, plant and equipment of approximately HK$6,086,000 (2019: HK$11,048,000) and other commitment contracted for but not provided — proposed purchase of land of approximately HK$6,978,000 (2019: HK$6,556,000).

As at 31 December 2020, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group did not have any other significant investments or other material acquisitions or disposals during the year ended 31 December 2020 and there was no plan authorised by the Board for other material investments or additions of capital assets up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 794 employees as at 31 December 2020 (2019: 769). The Group seeks to ensure that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

Mao Hong Group is a digital payment platform, which provides third-party payment services through the following services and products, namely, (1) Internet payment services, (2) Prepaid card issue and management services and (3) others. On 9 August 2019, the Company acquired 51% of the issued share capital of Mao Hong at a total consideration of approximately HK$746,632,000. As a result of purchase price allocation, the Company recognised goodwill of approximately HK$338,250,000 and other intangible assets of approximately HK$1,535,339,000 from this acquisition during the year ended 31 December 2019.

The Directors consider Mao Hong Group as a separate Cash Generating Units ("CGU") (the "Mao Hong CGU") and the goodwill and other intangible assets were allocated to the Mao Hong CGU. During the year ended 31 December 2020, due to (i) sharply increased scrutiny and much more stringent rule enforcement by the regulatory authorities, (ii) sharply intensifying competition among industry participants; and (iii) an already highly polarized marketplace to be worsened by the imminent entry of foreign multinational players, the financial performance of Mao Hong Group for the year ended 31 December 2020 decreased significantly as compared to that of the corresponding period in 2019, which was an indicator of impairment of goodwill and other intangible assets. The Directors therefore conducted the impairment assessment on goodwill and other intangible assets at the year-end, and as a result of that, an impairment of goodwill and other intangible assets of approximately HK$338,250,000 and approximately HK$909,242,000, respectively, was recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2020.

In assessing and evaluating the impairment of Mao Hong's goodwill and other intangible assets, the Company engaged an independent external professional qualified valuer ("Valuer A") to conduct a valuation of the value in use of Mao Hong Group as at 31 December 2019. Valuer A adopted the income approach, specifically the discounted cash flow method, to derive the value in use of Mao Hong Group as at 31 December 2019 (the "2019 Impairment Valuation"). When doing value in use calculation, Valuer A also used the market approach (i.e. guideline comparable method) to cross check the result derived by income approach. Under the market approach, the implied multiple (i.e. EV/EBIT and EV/EBITDA) falls within the general range.

Key assumptions adopted in the income approach for the 2019 Impairment Valuation included (1) the average revenue growth rate of Mao Hong Group between the Financial Year ("FY") of 2020 and FY2024 of approximately 11.8%; (2) gross profit margin of Mao Hong Group between FY2020 and FY2024, ranging from approximately 48.6% to 50.5%; (3) net profit margin of Mao Hong between FY2020 and FY2024, ranging from approximately 25.5% to 27.2%; (4) terminal growth rate of 3.0%; and (5) pre-tax discount rate of 18.8%.

Based on the 2019 Impairment Valuation, the recoverable amount of the Mao Hong CGU, which was determined based on value in use, is higher than the carrying amount. The Company therefore did not record any impairment of Mao Hong's goodwill and other intangible assets.

In assessing and evaluating the impairment of Mao Hong's goodwill and other intangible assets, the Company engaged an independent external professional qualified valuer ("Valuer B") to conduct valuation of the fair value of Mao Hong Group as at 31 December 2020. Given that (i) the recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use according to HKAS 36; and (ii) the Company had increasing visibility on the financial projections of Mao Hong Group considering that it had been controlled and managed by the Company for more than a year, the Company and Valuer B adopted both an income approach, specifically the discounted cash flow method to derive the value in use of Mao Hong Group, and a market approach, specifically the comparable company method, to derive the fair value of Mao Hong as at 31 December 2020 (the "2020 Impairment Valuation").

Key assumptions adopted in income approach for the 2020 Impairment Valuation include (1) the average revenue growth rate of Mao Hong Group between FY2021 and FY2025 of approximately 20.4%; (2) gross profit margin of Mao Hong Group between FY2021 and FY2025, ranging from approximately 19.8% to 20.5%; (3) net profit margin of Mao Hong Group between FY2021 and FY2025, ranging from approximately 2.0% to 7.8%; (4) terminal growth rate of 3.0%; and (5) pre-tax discount rate of 15.1%.

Key assumptions adopted in market approach include (1) average Price/Sales or P/S ratio of the comparable companies of approximately 1.73, (2) discount for lack of marketability ("DLOM") of approximately 20.10%, (3) a control premium of approximately 26.62%, and (4) the actual consolidated revenue of Mao Hong for the year ended 31 December 2020 of approximately HK$291,304,000.

As at 31 December 2020, the recoverable amount of Mao Hong CGU was determined based on fair value less cost of the disposal. This method of determination resulted in a higher recoverable amount, and the key assumptions adopted in the market approach have been disclosed in note 18 to the consolidated financial statements in this annual report. Based on the 2020 Impairment Valuation, the Company recognised an impairment of Mao Hong's goodwill and other intangible assets of approximately HK$338,250,000 and approximately HK$909,242,000, respectively, based on its assessment.

Comparing with 2019 and 2020 valuations of Mao Hong Group's fair value (i.e. under the income approach), there were no material changes on the terminal growth rates and the pre-tax discount rates adopted. The major changes between 2019 and 2020 Impairment Valuations were the average revenue growth rate, gross profit margin and net profit margin of Mao Hong Group adopted. In 2019 Impairment Valuation, as Mao Hong Group was still in rapid development stage, it was considered that the current level of net profits (i.e. FY2019 net profits) could not truly reflect its value and the 5-year financial budgets between FY2020 and FY2024 were derived from the forecasted 2020 net profit of Mao Hong Group ("2020 Forecasted Net Profit") was adopted, which was considered to provide a reasonable indication of the profitability of Mao Hong Group from market participants' perspective. In 2020 Impairment Valuation, the actual 2020 financial performance had missed the 2020 Forecasted Net Profit after a period of actual operation, 5-year financial budgets of Mao Hong Group between FY2021 and FY2025 were adjusted downward to reflect the market situation of the third party payment industry.

In the review of methods and assumptions adopted by Valuer B for the 2020 Impairment Valuation of Mao Hong's goodwill and other intangible assets, the Company has taken into account the following factors:

Market Approach

The Company noted that the selection criteria (the "Selection Criteria") for comparable companies included, amongst others: (1) The comparable companies are in the industry of third-party payment services and related business in the China and the relevant information of comparable companies is searchable in a global data base maintained by an independent service provider, namely Bloomberg; (2) The comparable companies are having similar nature and level of competition; and (3) The comparable companies are having similar characteristics of driving underlying investment risk and expected rate of return.

Based on the above-mentioned Selection Criteria, a list of comparable companies satisfying the above criteria was selected by Valuer B on a best effort basis and five comparable companies were identified.

The information of the comparable companies is publicly available, and based on the Selection Criteria, they are comparable to Mao Hong Group. Accordingly, the Directors are of the view that they are fair and representative samples.

Further, in relation to the key assumptions used for the market approach, the Company discussed with Valuer B and understands that:

- DLOM reflects the fact that there is no ready market for shares in a closely held company. As such, Valuer B has assessed the DLOM by making reference to "Stout Restricted Stock Study: Companion Guide (2020 Edition)". The overall DLOM is approximately 20.10%.

- Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. Adjustment for control is made by the application of a control premium to the value of the target's shares. The papers "Mergerstat Control Premium Study (2019Q2)" by FactSet Mergerstat, LLC., "Control Premium Study (2018)" by RSM and "The size of the control premium and average value of a transaction by country" by SDC International M&A database 2007 suggested a range of approximately 24.96% to 27.90%. An average control premium of approximately 26.62% is considered appropriate and suitable for this valuation based on Valuer B's professional judgement.

- Valuer B also took into account the consolidated net profit of Mao Hong Group for the year ended 31 December 2020 for assessing Mao Hong Group's fair value based on its current profitability.

The Company considers that the selection basis and criteria, as well as the key assumptions adopted were fair and reasonable.

Income Approach

The Company noted that Valuer B primarily took into account the financial budget and forecast prepared by management of Mao Hong Group when adopting the income approach for valuation, with reference to (1) the average revenue growth rate of Mao Hong Group between FY2021 and FY2025; (2) gross profit margin of Mao Hong Group between FY2021 and FY2025; (3) net profit margin of Mao Hong Group between FY2021 and FY2025; (4) terminal growth rate; and (5) pre-tax discount rate. When assessing the fairness and reasonableness of this valuation methodology, the Company reviewed the internal control procedures in formulating and reviewing the financial budgets and forecast prepared, which includes the following:

(a) the product team of Mao Hong Group assessed and estimated certain key performance indicators including third-party payment transaction volume processed and an expected revenue based on the handling fees per unit charged by Mao Hong Group to their customers; and

(b) the finance team of the Company further assessed the accuracy and reasonableness of the financial budgets and forecast initially proposed by Mao Hong Group and submitted the same to the Board for final review.

The Company also regarded to the financial performance of comparable companies in the market to assess and evaluate the reasonableness of Mao Hong Group's financial budgets and forecast.

PROSPECTS AND STRATEGIES

2020 was a challenging year globally due to the COVID-19 epidemic, while global economic contraction and escalating Sino-US tensions have posed and may continue posing adverse impacts on the PRC economy, the target market of the Group's new economy business. The Group will keep monitoring the development of COVID-19 and assessing the impact of the pandemic on the Group's financial position and operating results. Despite the macro economic challenges, the Group has made substantive progress in its big data analytics business.

Developing Business Opportunities in New Economy Industry

In the summer of 2020, the Chinese central authority decided to accelerate the establishment of a "dual circulation" development pattern in which the domestic economic cycle ("Internal Circulation") plays a leading role with the international economic cycle ("External Circulation") as its extension and supplement. The new mega trend towards the Internal Circulation in the Chinese economy necessitates further escalated domestic consumption, in which consumer credit plays a critical role in facilitation, which would substantially push up demand for efficient digital risk management services in the whole life cycle of personal credits. The pandemic COVID-19 from the beginning of 2020 has significantly enhanced awareness in the Chinese population of the importance of assurance, while the Chinese central authority has taken a whole series of critical measures for years to develop an assurance system for the country's stable and sustainable development, where commercial insurance as an indispensable supplement, especially in healthcare, has been growing and expanding rapidly. As a result, AI-enabled algorithmic solutions to the full value chain of insurance are in much accelerated demand.

Based on statistics issued by the People's Bank of China, Frost & Sullivan, Oliver Wyman Analysis and others, the outstanding principal balance of personal credit in China was about RMB59.4 trillion in 2019 and is expected to grow about 13.2% annually to reach RMB110.6 trillion in 2024; insurance premiums in aggregate in China were about RMB4.3 trillion in 2019 and are expected to reach RMB6.9 trillion in 2024, and insurance penetration in China, as a percentage of GDP, was about 4% in 2019 while in the US it was about 11% in 2019; China's total revenue of big data analytics services for the financial industry was about RMB109.3 billion in 2019 and is expected to grow about 18.2% annually to reach RMB252.4 billion in 2024, while the revenue in the independent big data analytics services market was about RMB10.6 billion in 2019 and expected to grow about 31.9% annually to reach about RMB42.4 billion in 2024. In addition, as the promulgation of recent regulatory evolutions centered around "Deleveraging" and "Anti-monopoly", the consumer credit risk management market, target of the Lian Yang Group presents huge opportunities for independent big data risk management services to incremental consumer credit balances of approximately RMB1.7 trillion. Hence, the addressable market of the Lian Yang Group's SaaS/PaaS cloud platform is not only enormous but also rapidly expanding.

Lian Yang Group, having established its competitive and fully compliant data aggregation, connectivity and integration, and AI-enabled algorithmic solutions for applications to retail financial services and insurance, started revenue generation in mid-2020, from just about RMB0.3 million per month in July 2020 to over RMB10 million per month in December 2020, a growth of over 30 times in 6 months, and meanwhile, dozens of banks, consumer finance companies (inclusive of the sector Top tier banks in China's personal credit sector) and digital channels of consumer finance etc. have either signed contracts or in process for contract signing. Furthermore, Lian Yang Group is also well under way in negotiation to provide its AI-enabled algorithmic solutions to several top insurers and digital insurance channels.

AI is at the very center of ongoing disruptive secular growth under a new economic order. By acquiring the indirect controlling stake in Lian Yang Group, a "SaaS/PaaS" cloud platform to serve Chinese consumer finance and insurance via AI-enabled algorithmic solutions, the Company, embarking on a high growth mega trend brought by expanding huge Internal Circulation demand in China, expects to be in an anchor position to capture prospectively huge economic returns to boost its shareholders' value significantly and sustainably, and meanwhile, generate social value to the benefit of the Chinese economy and society.

In order to fuel and accelerate our shareholder's long term value under the context of developing big data analytics as stipulated above, we will continue to conduct regular reviews on the business operations and financial positions of the Group under evolving economic ecosystem and changing market conditions. Subject to such reviews, the Group may explore and consider rationalization and optimization of the Group's resource allocations, including any asset disposals, synergetic asset acquisitions, business divestment, fund raisings etc. in order to position; materialize and accelerate the long-term growth potential of the Group. In the event that any such opportunities materialise, further announcement(s) will be made by the Company in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Li Zhong Yuan ("Dr. Li"), aged 59, was appointed as an executive director and chairman of the Company on 10 December 2018 and 31 December 2018 respectively. Dr. Li received a PhD degree in mathematics from the University of Michigan in 1990 and then was employed as a CLE Moore Instructor at Massachusetts Institute of Technology (M.I.T.) in the USA for three years, responsible for researching and teaching in the frontier of mathematical sciences and their applications. Dr. Li subsequently worked for a number of years with "bulge bracket" Wall Street Firms in innovatively structured financial products, and has started his own independent entrepreneurship since 2000 incubating and driving up innovative service ventures from scratch to successful exit as anchor principal. He is experienced in financial services and algorithmic technology and economy. Dr. Li is also a member of the International Advisory Board of the University of California at San Diego's School of Global Policy and Strategy and its 21st Century China Center's China Leadership Board member etc.; and members of boards or advisory boards of several innovative enterprises globally.

Ms. Liu Rong Rong ("Ms. Liu"), aged 50, was appointed as an executive director of the Company on 6 September 2019. Ms. Liu obtained a bachelor's degree in economics from National Taiwan University in 1992 and received an MBA from The Wharton School of the University of Pennsylvania in 1997. Ms. Liu has over 15 years' experience in the private fund industry. Ms. Liu started her career as a consultant at McKinsey Asia LLC, Taiwan branch from 1992 to 1995. Ms. Liu then worked for Crimson Asia Capital Holdings Ltd., Taiwan Branch from 1997 to 2009 with the last position as the person in charge of the Asia business of Crimson Asia Capital Fund. Ms. Liu was a managing director of Vision Investment Management (Asia) Limited from 2009 to 2011, and a business partner of 博信(天津)股權投資管理合伙企業(有限合伙) (Boxin (Tianjin) Equity Investment Management Partnership Enterprise (Limited Partnership)*) in 2013. Ms. Liu joined 得仕股份有限公司 (Day's Enterprise Company Limited*) as director in 2015. Ms. Liu has been the chief consultant of the investment management committee of 聯新國際醫療集團 (Landseed International Medical Group*) since 2012 and an independent director of Franklin Templeton Sealand Fund Management Co., Ltd. since 2015.

* English translation of name is for identification purpose only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Gong ("Mr. Li"), aged 62, was appointed as an independent non-executive director of the Company on 10 December 2018. Mr. Li studied physics at Fudan University and obtained a bachelor of science and master of science in electrical engineering at the University of Houston in 1983 and 1985 respectively. He then started his career at Accenture in 1985 as a consultant and spent 30 years at Accenture. Mr. Li was a member of Accenture Global Leadership Council, a senior managing director and the Chairman of Greater China region when he decided to retire from Accenture in 2015. Mr. Li served as a member of the board of several Accenture's joint ventures in Asia including China Communications Services Software Technology Company in China. He also served as a member of advisory committee to Shanghai Municipal Government, and was a recipient of Magnolia Gold Award（白玉蘭榮譽獎）of Shanghai Municipality. Mr. Li was also an advanced leadership fellow at Harvard University from December 2015 to December 2016.

Mr. Wang Jianping ("Mr. Wang"), age 56, was appointed as an independent non-executive director of the Company on 10 December 2018. Mr. Wang has an MBA from Wuhan University in China. Mr. Wang is a senior accountant and has spent his entire career in banking and investment in the PRC before he decided to retire from China Minsheng Investment Group Corp., a company in the PRC with RMB50 billion paid-in capital, as its vice-president and chief financial officer in 2018. In his banking career, Mr. Wang served as a member of the Communist Party Committee of China Minsheng Bank headquarters and the governor of China Minsheng Bank Shanghai Branch. Prior to that, Mr. Wang assumed multiple managerial positions of China Minsheng Bank headquarters' finance departments over 10 years, including the President of Planning Finance Department and the President of Financial Management Department. Prior to China Minsheng Bank, Mr. Wang worked at the People's Bank of China — Hunan Provincial Branch. Mr. Wang has been an independent non-executive director of Aier Eye Hospital Group Co., Ltd., a company listed on the ChiNext of Shenzhen Stock Exchange (stock code: 300015) since 2015 and an independent non-executive director of Chongqing Lummy Pharmaceutical Co., Ltd., a company listed on the ChiNext of Shenzhen Stock Exchange (stock code: 300006) since 2016.

Dr. Shi Ping ("Dr. Shi"), aged 58, was appointed as an independent non-executive director of the Company on 10 December 2018. Dr. Shi received a bachelor of science in economics from Nanjing University of Finance and Economics in 1985, a master of science in economics from Nanjing University in 2006, and also a PhD in resource economics from China University of Geosciences in 2014. Dr. Shi is the Dean of Nanjing Audit University's Ruihua School of Auditing and Accounting, where Nanjing Audit University is the only university cofounded by National Audit Office of the PRC, one of the 26 Ministries and Commissions composing of the PRC State Council, and Ruihua, the branding party of the School, is a leading accounting firm in the PRC. Dr. Shi is the Chairman of Jiangsu Association of Wealth Managers and awarded with the status of consulting expert on managerial accounting by the Bureau of Finance of Jiangsu Province. Dr. Shi has been involved in financial theory and practice researches over 10 years, and chaired and participated in four research projects of provincial and ministerial levels. Dr. Shi has been an independent non-executive director of Jiangsu Huaxicun Holding Co., Ltd., a company listed on the SME Board of Shenzhen Stock Exchange (stock code: 000936) and of SVG Group Co., Ltd., a company listed on the ChiNext of Shenzhen Stock Exchange (stock code: 300331) since 2014 and an independent non-executive director of Nantong Jianghai Capacitor Co., Ltd., a company listed on the SME Board of Shenzhen Stock Exchange (stock code: 002484) and of Jiangsu Daybright Intelligent Electric Co., Ltd., a company listed on the ChiNext of Shenzhen Stock Exchange (stock code: 300670) since 2017.

The board of directors (the "Board") of Pan Asia Data Holdings Inc. (the "Company" and together with its subsidiaries collectively referred to as the "Group") present their annual report together with the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. Details and analyses of the main business segments of the Group during the year are set out in note 6 to the consolidated financial statements. In addition, discussions on the Group's environmental policies and performance and the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group's success are provided in the Environmental, Social and Governance Report accompanying of this annual report.

As far as the Board and the management are aware, the Group has, in all material aspects, complied with the laws and regulations that are applicable to its business operations during the year. The relevant laws and regulations that have a significant impact on the Company include, among others, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance, the Companies Law of the Cayman Islands and the laws and regulations in relation to its business including those relating to environmental protection, production safety, product quality, labour contracts, employee benefits, foreign exchange, taxation and intellectual property rights.

Further discussion and analysis as required by the Listing Rules can be found in the section headed "Management Discussion and Analysis" in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 58.

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

BORROWINGS AND PROMISSORY NOTES PAYABLE

Details of borrowings and promissory notes payable of the Group as at 31 December 2020 are set out in notes 29 and 28 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 62 and note 40 to the consolidated financial statements.

As at 31 December 2020, the reserves of the Company available for distribution to shareholders amounted to approximately HK$309,462,000 (2019: HK$293,029,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Dr. Li Zhong Yuan *(Chairman)*
Ms. Liu Rong Rong

Non-executive Directors:

Ms. Zuo Yi (resigned on 14 December 2020)
Mr. Kong Muk Yin (resigned on 10 January 2020)

Independent Non-executive Directors:

Mr. Li Gong
Mr. Wang Jianping
Dr. Shi Ping

In accordance with Articles 84 and 85 of the articles of association of the Company (the "Articles of Association"), at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Accordingly, Mr. Wang Jianping and Dr. Shi Ping will retire from office by rotation and, being eligible, will offer themselves for re-election as Directors at the annual general meeting of the Company to be held on Wednesday, 30 June 2021 (the "AGM").

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 10 September 2012, the Group entered into a sale and purchase agreement (as supplemented by various supplemental agreements) with a company owned by Mr. Yuen Shu Wah, former Chairman of the Company, to acquire two pieces of land located in the PRC , namely one land parcel of 18.209 mu (equivalent to approximately 12,139 square meters) ("Parcel 1") and one land parcel of 19.932 mu (equivalent to approximately 13,288 square meters) ("Parcel 2"), at an aggregate cash consideration of approximately RMB3,367,000 (equivalent to approximately HK$4,154,000) (as disclosed in the section headed "Connected Transactions" in the prospectus dated 17 November 2015 and the announcements dated 30 September 2016, 12 December 2017, 5 December 2018, 31 December 2019 and 31 December 2020 issued by the Company). On 31 December 2019, the Group entered into a supplemental agreement to terminate the acquisition of Parcel 2.

The remaining balances of approximately RMB1,255,000 and RMB1,255,000 were included as commitments as at 31 December 2019 and 2020, equivalent to approximately HK$1,401,000 and HK$1,491,000 respectively. The purchase of Parcel 1 had not been completed at 31 December 2020.

Save as disclosed above, no transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests and short positions in the shares of the Company

		Number of shares held/interested			
Name of Director	Type of interest	Personal interests	Corporate interests	Total	Percentage of interest
Dr. Li Zhong Yuan	Long position	–	427,860,000[(i)(ii)]	427,860,000	63.16%
	Short position	–	61,800,000[(iii)]	61,800,000	9.12%
	Long position	248,000	–	248,000	0.04%
Ms. Liu Rong Rong	Long position	2,456,000	–	2,456,000	0.36%

Note:

(i) Dr. Li Zhong Yuan ("LZY") is legally interested in 49% and beneficially interested in 14.1902% of the issued share capital of Timenew Limited ("Timenew"), a substantial shareholder of the Company, which is interested in the 427,860,000 issued ordinary shares of the Company as a special purpose vehicle holding ordinary shares of the Company. LZY is deemed to have a corporate interest of 63.16% of the Company.

(ii) Certain arrangements have been entered into between Mr. Li Xiao Ru ("LXR") and LZY in connection with financing provided by LZY to LXR and, for that purpose, amongst other things:

A. LXR granted to LZY a charge over his shares in Timenew as security for obligations of LXR.

B. Timenew granted to LZY a charge over 219.5 million shares (or approximately 32.4% of the issued shares) in the Company and shares in the Company deposited to a specific custodian security account from time to time as security for obligations of LXR.

C. Timenew, LXR and LZY entered into an Option and Purchase Agreement under which Timenew granted to LZY the option to acquire 219.5 million shares (or approximately 32.4% of the issued shares) in the Company at a price of HK$1.14 per share, any time from 16 October 2020 in LZY's sole discretion.

(iii) 61,800,000 shares were subject to an exchangeable bond subscription agreement anchored by LXR, which was subsequently terminated on 30 March 2021, executed by Timenew as the issuer, Mr. Shu Hui as the investor and LXR as the Guarantor.

Save as disclosed above, as at 31 December 2020, none of the Directors, or the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 9 January 2020 (the "Share Award Scheme") with major terms and details set out below:

1. Objectives: The objectives of the Share Award Scheme are (i) to recognise the contributions by certain selected grantees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

2. Duration: Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date (9 January 2020).

3. Scheme limit: The Board shall not make any award of awarded shares which will result in the nominal value of the share(s) in the share capital of the Company (the "Shares") awarded by the Board under the Share Award Scheme exceeding ten per cent. of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a selected grantee under the Share Award Scheme shall not exceed one per cent. of the issued share capital of the Company from time to time.

4. Operation: The Board may from time to time cause to be paid a contributed amount to the trust constituted by a trust deed dated 20 January 2020 by way of settlement or otherwise contributed by the Company or any subsidiary as directed by the Board which shall constitute part of the trust fund, for the purchase of Shares and other purposes set out in the Share Award Scheme rules and the trust deed.

   The Board may, from time to time, at its absolute discretion select any qualifying grantees (other than any excluded employee) for participation in the Share Award Scheme as a selected grantee, and grant such number of awarded shares to any selected grantee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

5. Restrictions: No award shall be made by the Board and no instructions to acquire any Shares shall be given to the trustee under the Share Award Scheme: (i) after inside information (as defined in the SFO) in relation to affairs or securities of the Company has arisen or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information is no longer inside information; (ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results; (iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or (iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

6. Vesting: Subject to the terms and condition of the Share Award Scheme and the fulfillment of all vesting conditions, the respective awarded shares held by the trustee on behalf of the selected grantee pursuant to the provision hereof shall vest in such selected grantee in accordance with the vesting schedule (if any), and the trustee shall cause the awarded shares to be transferred to such selected grantee on the vesting date.

7. Voting rights: The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust (if any) (including but not limited to the awarded shares, any bonus shares and scrip Shares derived therefrom) whether or not in the name of another person as nominee of the trustee.

The Company shall comply with the relevant Listing Rules when granting the awarded shares. If awards are made to the Directors or substantial shareholders of the Company, such awards shall constitute connected transactions under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

During the year ended 31 December 2020 and up to the date of this annual report, no awarded shares were granted under the Share Award Scheme.

EQUITY-LINKED AGREEMENTS

Other than the Share Award Scheme, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the 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, underlying shares, or debentures, of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the following parties (other than the Directors and the chief executive officer of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Interests and short positions in the shares of the Company

Name	Type of interest	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Timenew Limited *(Note 1, 2 and 3)*	Long position	Beneficial owner	427,860,000	63.16%
	Short position		61,800,000	9.12%
Mr. Li Xiao Ru *(Note 1, 2 and 3)*	Long position	Interest in a controlled corporation	427,860,000	63.16%
	Short position		61,800,000	9.12%
Mr. Shu Hui *(Note 3)*	Long position	Having a security interest	61,800,000	9.12%

Notes:

(1) LXR is legally interested in 51% and beneficially interested in 85.8098% of the issued share capital of Timenew, a substantial shareholder of the Company, which is interested in the 427,860,000 issued ordinary shares of the Company as a special purpose vehicle holding ordinary shares of the Company. LXR is deemed to have a corporate interest of 63.16% of the Company.

(2) Certain arrangements have been entered into between LXR and LZY in connection with financing provided by LZY to LXR and, for that purpose, amongst other things:

A. LXR granted to LZY a charge over his shares in Timenew as security for obligations of LXR.

B. Timenew granted to LZY a charge over 219.5 million shares (or approximately 32.4% of the issued shares) in the Company and shares in the Company deposited to a specific custodian security account from time to time as security for obligations of LXR.

C. Timenew, LXR and LZY entered into an Option and Purchase Agreement under which Timenew granted to LZY the option to acquire 219.5 million shares (or approximately 32.4% of the issued shares) in the Company at a price of HK$1.14 per share, any time from 16 October 2020 in LZY's sole discretion.

(3) 61,800,000 shares were subject to an exchangeable bond subscription agreement anchored by LXR, which was subsequently terminated on 30 March 2021, executed by Timenew as the issuer, Mr. Shu Hui as the investor and LXR as the Guarantor.

(4) As of 31 December 2020, the Company's total number of issued shares was 677,376,770.

Save as disclosed above, as at 31 December 2020, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 December 2020, which did not constitute connected transactions under the Listing Rules, are disclosed in note 35 to the consolidated financial statements.

PERMITTED INDEMNITY

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors and officers.

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

On 13 May 2020 and 22 May 2020, an aggregate of 14,288,000 new ordinary shares have been allotted and issued by the Company to a subscriber, being a third party independent of the Group, at the subscription price of HK$3.50 per share. The aggregate gross proceeds raised are approximately HK$50.0 million, and the net proceeds, after deduction of all relevant expenses, are approximately HK$49.8 million, which are intended to be used for the Group's development of new business (such as marketing and client development, amongst others) and general working capital purposes (such as overhead, inventory and debt management, amongst others).

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from each of its five largest suppliers and sold less than 30% of its goods and services to each of its five largest customers.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the general staff of the Group that the management of the Group decides emolument to staff on the basis of their respective merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year, the Group made donations amounting to approximately HK$2,647,000 (2019: HK$1,980,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITOR

Deloitte Touche Tohmatsu resigned as the auditor of the Company and Baker Tilly Hong Kong Limited was appointed as the auditor of the Company on 30 December 2019. Save as disclosed, there has been no change in the auditor of the Company during the past three years.

The consolidated financial statements for the year ended 31 December 2020 have been audited by Baker Tilly Hong Kong Limited. A resolution will be submitted to the forthcoming AGM to re-appoint Baker Tilly Hong Kong Limited as the auditor of the Company.

On behalf of the Board
Pan Asia Data Holdings Inc.

Li Zhong Yuan
Chairman

Hong Kong, 31 March 2021

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of Pan Asia Data Holdings Inc. (the "Company") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year ended 31 December 2020, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current practices will be reviewed and continuously updated.

To the best knowledge of the Board, throughout the year ended 31 December 2020, the Company complied with all the code provisions set out in the CG Code, save for the code provisions A.2.1 and A.6.7 of the CG Code as described below.

CG Code A.2.1

Please refer to the paragraph headed "Roles of Chairman and Chief Executive Officer" in this annual report.

CG Code A.6.7

Please refer to the paragraph headed "Shareholders' Communication" in this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided within under the Model Code. Enquiries have been made to the Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

The Board currently comprises five Directors in total, with two Executive Directors and three Independent Non-executive Directors.

The composition of the Board during the year under review and up to the date of this annual report is set out as follows:

Executive Directors:

Dr. Li Zhong Yuan *(Chairman)*
Ms. Liu Rong Rong

Non-executive Directors:

Ms. Zuo Yi (resigned on 14 December 2020)
Mr. Kong Muk Yin (resigned on 10 January 2020)

Independent Non-executive Directors:

Mr. Li Gong
Mr. Wang Jianping
Dr. Shi Ping

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced Board composition is formed to ensure strong independence exists across the Board.

Throughout the year and up to the date of this annual report, at least one-third in number of the Board's members comprising Independent Non-executive Directors under Rule 3.10A of the Listing Rules and at least one of the Independent Non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise as referred to in Rule 3.10 of the Listing Rules.

The Board has received from each Independent Non-executive Director an annual confirmation of his independence and considers that all the Independent Non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out in the section headed "Biographical Details in Respect of Directors" of this annual report.

During the year, four Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Directors	Attendance/ number of Board meeting held during tenure	Attendance rate
Executive Directors		
Dr. Li Zhong Yuan *(Chairman)*	4/4	100%
Ms. Liu Rong Rong	4/4	100%
Non-executive Directors		
Ms. Zuo Yi (resigned on 14 December 2020)	2/3	67%
Mr. Kong Muk Yin (resigned on 10 January 2020)	N/A	N/A
Independent Non-executive Directors		
Mr. Li Gong	4/4	100%
Mr. Wang Jianping	4/4	100%
Dr. Shi Ping	4/4	100%

An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the Company Secretary and are open for inspection by Directors.

Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions as to the powers of the Management, in particular with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Chairman met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors during the year.

Training

During the year, the Company has arranged training for the Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under code provision A.6.5 of the CG Code. The Company arranged one seminar during the year ended 31 December 2020, covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and the Securities and Futures Ordinance, Hong Kong (the "SFO").

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under code provision A.1.8 of the CG Code.

Roles of Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Li Zhong Yuan is the chairman of the Board and there was no chief executive officer appointed by the Company. Dr. Li Zhong Yuan is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board's affairs and promoting a culture of openness and debate. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is struck by the openness and cooperation spirit of the senior management and the Board, which comprises experienced and high-calibre individuals who meet from time to time to discuss issues affecting operation of the Company and the Group. The structure is supported by the Company's well-established corporate governance structure and internal control policies. The Board shall nevertheless review the structure from time to time to ensure appropriate moves are taken should relevant circumstances arise.

Appointment and Re-election of Directors

Each of the Executive Directors has entered into a service contract with the Company and each of the Independent Non-executive Directors has entered into a letter of appointment with the Company and in appointed for a specific term, subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company (the "AGM") in accordance with the articles of association of the Company (the "Articles of Association"). Any new Director appointed by the Board to fill a casual vacancy shall be subject to re-election by shareholders at the next following AGM after appointment.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company under code provision A.5.6 of the CG Code.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Dividend Policy

Subject to the results of the Group's operations, financial condition and position as well as other factors the Board may consider appropriate, dividends may be recommended or declared and paid.

Corporate Governance Function

The Board has adopted written terms of reference for its corporate governance function so as to assist the Board in supervising the management of the business and offices of the Group. During the year, the Board has performed the corporate governance duties in accordance with its terms of reference.

The duties of the Board in respect of corporate governance function are summarised as follows:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the corporate governance report.

BOARD COMMITTEES

The Board has established various committees to assist it in carrying out its responsibilities. There are three Board Committees, being the Remuneration Committee, Nomination Committee and Audit Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Remuneration Committee

The Remuneration Committee was established on 6 November 2015 with written terms of reference. The terms of reference of the Remuneration Committee are available on the website of the Stock Exchange and that of the Company at http://www.irasia.com/listco/hk/pad/.

The Remuneration Committee currently comprises three members including one Executive Director, namely Dr. Li Zhong Yuan, and two Independent Non-executive Directors, namely Mr. Li Gong and Mr. Wang Jianping. The Chairman of the Remuneration Committee is Mr. Wang Jianping. The composition of the Remuneration Committee complies with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be Independent Non-executive Directors and chaired by an Independent Non-executive Director.

During the year, one meeting was held and the attendance of each member at the meeting is set out as follows:

Name of members	Attendance/ number of Remuneration Committee meeting held during tenure	Attendance rate
Mr. Wang Jianping *(Chairman)*	1/1	100%
Dr. Li Zhong Yuan	1/1	100%
Mr. Li Gong	1/1	100%

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

The major roles and functions of the Remuneration Committee are as follows:

(i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;

(ii) to review annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;

(iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

(iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) to be responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee has adopted the model that it will review the proposals made by the Management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Nomination Committee

The Nomination Committee was established on 6 November 2015 with written terms of reference revised on 5 December 2018. The terms of reference of the Nomination Committee are available on the website of the Stock Exchange and that of the Company at http://www.irasia.com/listco/hk/pad/.

The Nomination Committee currently comprises three members including one Executive Director, namely Dr. Li Zhong Yuan, and two Independent Non-executive Directors, namely Mr. Li Gong and Mr. Wang Jianping. The Chairman of the Nomination Committee is Mr. Li Gong.

Meetings of the Nomination Committee shall be held at least once a year. During the year, one meeting was held and the attendance of each member at the meeting is set out as follows:

Name of members	Attendance/ number of Nomination Committee meeting held during tenure	Attendance rate
Mr. Li Gong *(Chairman)*	1/1	100%
Dr. Li Zhong Yuan	1/1	100%
Mr. Wang Jianping	1/1	100%

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implement the Board's approved nomination policy.

The major roles and functions of the Nomination Committee are as follows:

(i) to review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify and nominate individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) to assess the independence of Independent Non-executive Directors;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman; and

(v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

Audit Committee

The Audit Committee was established on 6 November 2015 with written terms of reference. The terms of reference of the Audit Committee are available on the website of the Stock Exchange and that of the Company at http://www.irasia.com/listco/hk/pad/.

The Audit Committee currently comprises three Independent Non-executive Directors, namely Dr. Shi Ping, Mr. Li Gong and Mr. Wang Jianping. The current Chairman of the Audit Committee is Dr. Shi Ping. The composition of the Audit Committee complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be Independent Non-executive Directors.

The meeting of the Audit Committee shall be held at least twice a year. During the year, two meetings were held and the attendance of each member at the meetings is set out as follows:

Name of members	Attendance/ number of Audit Committee meetings held during tenure	Attendance rate
Dr. Shi Ping *(Chairman)*	2/2	100%
Mr. Li Gong	2/2	100%
Mr. Wang Jianping	2/2	100%

During the year, the Audit Committee performed the following works:

(i) reviewed the financial reports for the year ended 31 December 2019 and for the six months ended 30 June 2020;

(ii) reviewed the effectiveness of the risk management and the internal control systems;

(iii) reviewed the external auditor's statutory audit plan and engagement letters;

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2019; and

(v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 31 December 2020.

The major roles and functions of the Audit Committee are as follows:

(i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;

(ii) to discuss with the external auditor the nature and scope of the audit;

(iii) to review the interim and annual financial statements before submission to the Board;

(iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

(v) to review the external auditor's management letter and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and

(vii) to consider any findings of major investigations of internal control and risk management matters and management's responses.

EXTERNAL AUDITORS

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

During the year ended 31 December 2020, the auditors' remuneration in respect of audit services and non-audit services provided by the auditors of the Group charged to the consolidated statement of profit or loss amounted to approximately HK$2,800,000 (2019: HK$2,580,000) and approximately HK$820,000 (2019: HK$3,618,000), respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and a Risk Management Taskforce. The Board is responsible for, and determines, the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted the Risk Management Policy to provide direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an external professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the effectiveness of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The key processes that have been established in reviewing the effectiveness of the risk management and internal control systems include the following:

a. The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.

b. The Audit Committee reviews internal control issues identified by external auditor, external professional advisor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.

c. The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, the SFO and other applicable regulations are delegated to the company secretarial department.

d. Every newly appointed director is provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company, in particular highlighting the respective applicable rules and regulations including the Listing Rules, of which a director should aware and be informed on appointment by the Company.

Risk management reports and internal control reports are submitted to the Audit Committee and the Board at least once a year. The Board considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of annual reports, interim reports and the consolidated financial statements of the Company that give a true and fair view in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Listing Rules. The statement by the independent auditor about its reporting responsibilities relating to the financial statements for the year ended 31 December 2020 is set out in the Independent Auditor's Report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

SHAREHOLDERS' COMMUNICATION

The Company has established a communication policy with shareholders and external parties and maintains different communication channels with its shareholders through the publication of annual and interim reports, circulars and announcements. During the year ended 31 December 2020, an annual general meeting (the "2019 AGM") was held and the attendance of each Director at the 2019 AGM are set out as follows:

Directors	Attendance/ number of 2019 AGM held during tenure
Executive Directors	
Dr. Li Zhong Yuan *(Chairman)*	1/1
Ms. Liu Rong Rong	1/1
Non-executive Directors	
Ms. Zuo Yi (resigned on 14 December 2020)	0/1
Mr. Kong Muk Yin (resigned on 10 January 2020)	N/A
Independent Non-executive Directors	
Mr. Li Gong	0/1
Mr. Wang Jianping	1/1
Dr. Shi Ping	1/1

The AGM provides a useful forum for shareholders to exchange views with the Board. At the Company's 2019 AGM, the Chairman of the Board as well as the Chairman of the Audit Committee and Remuneration Committee were present to answer shareholders' questions.

Separate resolutions are proposed at the general meeting for each substantial issue including the re-election of the retiring Directors.

The Company's 2019 AGM was held on 19 June 2020 and notice of the 2019 AGM was sent to shareholders at least 20 clear business days prior to the meeting. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings. Under CG Code A.6.7, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Zuo Yi (being the non-executive Director at the material time) and Mr. Li Gong (being the independent non-executive Director) were unable to attend the 2019 AGM held on 19 June 2020 due to other business engagements.

The forthcoming AGM will be held on Wednesday, 30 June 2021, an notice of it will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Other shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporation Information section of this Report, for the attention of the Company Secretary.

Right to convene special general meeting

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of 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. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary 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 (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must be signed by the requisitionists and deposited at the registered office of the Company at the office of Harneys Fiduciary (Cayman) Limited at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands or the head office and principal place of business of the Company in Hong Kong at Room 1707–08, 17/F, New World Tower 1, 16–18 Queen's Road Central, Hong Kong for the attention of the Company Secretary.

Right to put forward proposals at general meetings

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. Shareholders can also send enquiries and proposals to be forward for shareholders' consideration at shareholders' meetings to the Board in writing to the head office and principal place of business of the Company in Hong Kong at Room 1707–08, 17/F, New World Tower 1, 16–18 Queen's Road Central, Hong Kong or directly by raising questions at the general meeting of the Company.

INVESTOR RELATIONS

The Company maintains a website at http://www.irasia.com/listco/hk/pad/ where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Remuneration Committee, the Nomination Committee and the Audit Committee, procedures for nomination of Directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

Throughout the year and up to the date of this Report, there was no change in the Company's constitutional documents.

On behalf of the Board
Pan Asia Data Holdings Inc.

Li Zhong Yuan
Chairman

Hong Kong, 31 March 2021

OVERVIEW OF THE REPORT

Pan Asia Data Holdings Inc. (the "Company", and its subsidiaries, collectively the "Group", "we" or "us") hereby presents its Environmental, Social and Governance Report (the "Report") for the year ended 31 December 2020.

The Group's subsidiaries primarily engage in two businesses: (1) third-party payment services and (2) manufacturing customized liquid and powder coatings.

REPORTING SCOPE AND REPORTING PERIOD

Unless otherwise specified, the scope of the Report covers third-party payment services business in Shanghai, and coating manufacturing facilities in Guangzhou and Shenzhen in the People's Republic of China (the "PRC").

The Report covers the period from 1st January to 31st December 2020 (the "Reporting Period"), which is consistent with the financial year covered by the 2020 Annual Report of the Group.

PREPARATION BASIS OF THE REPORT

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and complies with all provisions of "Comply or Explain" as well as the principles of materiality, quantitative, balance and consistency. The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the operations of the Group in Hong Kong for the Reporting Year.

We regard this report as a communication channel with our stakeholders and believe that we should disclose ESG information that is meaningful and important to their decision-making. To serve this purpose, this report is prepared with reference to the fundamental reporting principles set out in the ESG Reporting Guide.

SOURCE OF DATA AND RELIABILITY STATEMENT

The information disclosed in the Report is retrieved from the Group's internal documents, statistical reports and relevant public information. The Group confirms that the Report does not contain any false information, misleading statement or material omission, and is responsible for the authenticity, accuracy and completeness of the contents.

ESG GOVERNANCE STRUCTURE

Our ESG working group has been established with senior management and department heads across different functions. The Board of Directors of the Company has the overall responsibility for our ESG reporting and strategy. The key responsibilities of the ESG working group, which reports to the management and the Board of Directors (the "Board"), are set out below:

- Developing ESG vision and missions of Pan Asia Data Holdings Inc. and its subsidiaries (collectively "the Group");
- Managing ESG-related risks;
- Evaluating the effectiveness of the Group's ESG management systems; and
- Reporting regularly the ESG objectives achieved to the Board.

The ESG working group is authorized by the Board to perform certain tasks including stakeholder engagement and materiality assessment. The ESG working group could engage internal and external parties while assessing the material ESG issues of the Group, and could also seek professional advices at the expense of the Group.

CONTACT US

The Group greatly values the readers' opinions. Should you have any questions or suggestions about the Report, please contact the Group via:

E-mail: info@panasiadata.com

Postal address: Room 1707–8, 17/F., New World Tower 1, 16–18 Queen's Road Central, Hong Kong

OUR STAKEHOLDERS

We strongly believe that each of our stakeholders plays a crucial role in sustaining the success of our business in the challenging market, therefore we hope to better understand their expectations and needs. We will consolidate mutual trust and strategic partnerships to nourish the growth of business and social development.

Major issues concerning stakeholders and corresponding measures:

Stakeholders	Focus	Communication and Responses
HKEX	• Compliance with Listing Rules • Timely and accurate announcements	• Meetings • Training, workshops • Website updates and announcements
Government and regulatory authorities	• Compliance with laws and regulations • Tax payment according to law	• Company's website • Public consultation
Suppliers	• Stable supply • Quality services and products	• Review and evaluation • Contracts and agreements
Shareholders/Investors	• Corporate image • Business strategies and performance • Investment returns	• General meetings • Issuing of financial reports and/or operation reports for investors • Company's website
Media & Public	• Corporate governance • Environmental protection • Human right	• Announcements • Press release
Customers	• Product and services quality • Commercial credibility • Reasonable prices • Privacy protection	• After-sales services • Website's privacy agreement
Employees	• Rights and benefits • Employee compensation • Training and development • Working environment	• Regular meetings • Staff emails and notifications • Employee activities • WeChat group • Staff training
Community	• Employment opportunities • Community development • Social welfare	• Community activities • Media enquiry • Press releases and announcements

MATERIALITY ASSESSMENT

We have conducted our materiality assessment according to the ESG Reporting Guide. Our approach to the materiality assessment is as follows:

Identification of material ESG issues	We engaged our business functions through internal meetings, daily communication and questionnaires to identify and assess materiality of relevant ESG issues of our business as well as our stakeholders.
Prioritization of the ESG issues	The ESG issues were discussed and prioritized by the management of the Group ("the Management") in terms of economic, environmental and social impacts to the Group.
Validation of the material ESG issues	The material ESG issues would be summarized in this ESG Report after the Board endorsed the prioritization result.

Regarding the materiality assessment, we have identified material ESG issues as follows:

ESG Aspect	Material ESG Issues
Environmental	
A1 Emissions	• Waste Management • Wastewater Discharge • Air Emissions • Greenhouse Gas Emissions
A2 Use of Resources	• Water Usage • Packaging Material • Energy Use Efficiency
A3 The Environment and Natural Resources	• Dust • Noise • Environmental Coating Products
Social	
B1 Employment	• Employment and Labour Standards
B2 Health and Safety	• Occupational Health and Safety
B3 Development and Training	• Staff Training and Development
B4 Labour Standards	• Anti-Child and Forced Labour
B5 Supply Chain Management	• Supply Chain Management
B6 Product Responsibility	• Customer Service • Data Privacy
B7 Anti-corruption	• Anti-corruption
B8 Community Investment	• Social Responsibility

ENVIRONMENTAL

Overview

The Group's business is principally divided into two streams, namely (1) third-party payment services and (2) customized liquid and powder coatings manufacturing. Owing to the business nature, payment services do not produce considerable amount of gas and chemicals, rendering the impacts on environment solely originated from electricity purchased. Whereas for coatings manufacturing, environmental impacts are comparatively more significant. Production of gaseous emissions, paper waste, purchased electricity and water, and other types of waste influence the environment directly and indirectly. The Group is aware of the reporting scope and is committed to reporting accordingly based on the following aspects.

The Group keeps abreast of environmental protection and the relevant laws, including but not limited to Environmental Protection Law (《環境保護法》), Law on Air Pollution and Control (《大氣污染防治法》), Water Pollution and Control Law (《水污染防治法》), Solid Waste Pollution Prevention and Control Law (《固體廢物污染環境防治法》), and Energy Conservation Law (《節約能源法》). When applicable, the Group strives to comply with the aforementioned laws, fulfilling its obligations. During the Reporting Year, the Group also perceived the formulation of the 14th Five Year Plan (《"十四五"規劃》) of the PRC, where all of the Group's Business Units locate. Once the strategies are officially proposed, the Group strives to keep track of relevant issues, such as capping carbon emissions at sectoral and regional levels, and introducing renewables into the energy mix of PRC.

Air Emissions

The Group's self-owned vehicles produce several major emissions, while its ordinary course of business does not involve significant gaseous fuel consumption. In 2020, the Group lessened its use of vehicles in business due to COVID-19 outbreak and operational needs, causing the decrease in air emissions.

Detailed quantity of air pollutants produced by the Group:

Emissions	Unit	2020 Amount	2019 Amount
Nitrogen Oxides ("NOx")	Tonnes	**0.14**	2.27
Sulphur Oxides ("SOx")	Tonnes	**0.00016**	0.0029
Particular Matter ("PM")	Tonnes	**0.0092**	0.19

Greenhouse Gases Emissions

The direct greenhouse gas emissions mainly come from combustion of fuels by vehicles and in stationary sources. Indirect emissions majorly come from purchased electricity and paper disposal. As compared to 2019, which had total emissions of 2,463.3 tonnes and intensity of 0.000003 tonnes per Hong Kong Dollar of revenue, the data of 2020 is stable and without fluctuation.

Detailed breakdown of Greenhouse Gases Emissions by the Group:

Major types of emissions	Unit	Amount
Scope 1 (1)		
Combustion of fuels in generators:	Tonnes of carbon dioxide equivalent	10.67
Combustion of fuels in vehicles:	Tonnes of carbon dioxide equivalent	28.72
Total	Tonnes of carbon dioxide equivalent	39.39
Scope 2		
Electricity	Tonnes of carbon dioxide equivalent	2,042.24 (2)
Scope 3		
Waste Paper	Tonnes of carbon dioxide equivalent	2.88
Sewage	Tonnes of carbon dioxide equivalent	3.18
Total Emissions	Tonnes of carbon dioxide equivalent	2,087.69
Emissions Intensity	Tonnes of carbon dioxide equivalent /Per Hong Kong Dollar of Revenue	0.000003

Notes:

(1) Emissions include Carbon Dioxide (CO_2), Methane (CH_4), Nitrous Oxide (N_2O).

(2) Scope 2 GHG Emission (indirect emission from consumption of purchased electricity) is based on the "Average Carbon Dioxide Emission Factors of China's Regional Power Grid in 2011 and 2012" issued by the National Development and Reform Commission.

Waste Management

During the Reporting Year, wastes were generated from both the third-party payment services and coating manufacturing businesses. Hazardous wastes include chemical wastes, coating scrap, and sludge from wastewater treatment plant generated from manufacturing. Non-hazardous wastes include waste paper, food wraps and stationery. In 2020, the Group increased its consumption of waste paper boxes and food wraps, corresponding to the increased demand for delivery of operational and medical resources under COVID-19 pandemic.

Detailed information of hazardous and non-hazardous wastes generated by the Group:

		2020		2019	
Type	**Unit**	**Amount**	**Intensity**	Amount	Intensity
Hazardous Waste	Tonnes	**14**	**0.000002 (per KG of coating product manufactured)**	17	0.000003 (per KG of coating product manufactured)
Non-hazardous Waste	Tonnes	**98**	**0.00000016 (per Hong Kong Dollar of revenue)**	58	0.00000008 (per Hong Kong Dollar of revenue)

Wastewater Discharge

According to government regulations, enterprises and institutions that discharge pollutants directly or indirectly into the water shall obtain the Pollutants Discharge Permit and pay pollutant discharge fees based on the types and quantity of the wastewater discharged. In 2020, the sewage discharged amounted to 11,368 cubic meters. Compared to data of 2019, which was 19,035 cubic meters, the amount decreased by around 8,000 cubic meters as production of several types of coating products created less wastewater and wastewater treatment mechanism was enhanced.

The Group currently discharges wastewater at office through building's discharge pipelines. Wastewater treatment plants had been constructed in manufacturing facilities to collect wastewater through wastewater pipelines. Uncontrolled discharge is strictly prohibited by the Group. With the continuous efforts to minimize amount of sewage discharged, the Group hopes that the level will further decrease in the future.

Measures to Reduce Waste Generation

Handling hazardous wastes is restricted by guidelines: (1) hazardous wastes are identified and stored in a different warehouse from non-hazardous waste; (2) licensed waste collectors are recruited to transfer the hazardous wastes away. The Group has also established a quality control mechanism to explore measures that reduce coating scrap.

Aiming to minimize the production of waste, the Group actively initiate a series of Green Office practices, intending to influence employees to decrease their use of paper. The Group promotes the four "R" actions in environmental protection (Reduce, Reuse, Recycle, Replace) in daily operation. For example, the Group sets up double-sided printing as the default mode in all printers and encourages employees to reuse single-sided paper when no confidential information is present. To further decrease the use of paper, communicating online is encouraged instead of communicating through documentation.

Use of Resources

The Group is committed to becoming a resource-saving and environmental-friendly enterprise to promote environmental protection, and is working actively to reduce usage of resources, as well as emissions. The Group's energy consumption mainly derives from purchased electricity, fuels for self-owned vehicles, operations of machinery.

Detailed information of energy consumed by the Group:

		2020		2019	
Energy type	**Unit**	**Amount**	**Intensity (per KG of coating product manufactured)**	Amount	Intensity (per KG of coating product manufactured)
Electricity	kWh	**2,547,031**	**0.352832**	3,409,319	0.004666
Diesel	Litre	**620**	**0.000086**	149,388	0.000204
Petrol	Litre	**10,578**	**0.001465**	34,560	0.000047

As stated, the Group recorded a decrease in petrol usage and it was attributed to the lessened use of vehicles. Also, as compared to 2019, the Group consumed less electricity and diesel due to fewer business hours under COVID-19 pandemic, efficient energy initiatives as mentioned in the section "Energy Use Efficiency", and fewer operational needs for certain types of energy.

Water Usage

As water is one of the most precious resources in the world, cherishing water consumption is the fundamental target of the Group. The Group had always encouraged the reduction on unnecessary water consumption. The existing water supply is stable and meets the Group's daily operational needs, thus no issue of sourcing water is identified.

The water consumption of the Group's Shanghai office for third-party payment services is included in the property management fees. Accordingly, the water consumption figures below only include the consumption in the Group's coating manufacturing business, which was charged separately.

Detailed information of water consumed by the Group:

		2020		2019	
	Unit	**Amount**	**Intensity (per Hong Kong Dollar of revenue)**	Amount	Intensity (per Hong Kong Dollar of revenue)
Water	M^3	**14,210**	**0.000023**	49,663	0.000068

Compared to data from 2019, the water usage in the Reporting Period declined, mainly resulting from operational needs, fewer business days in both offices and factories, and fewer employees presented in each business day due to work arrangement under COVID-19 pandemic. Furthermore, with an aim to reduce water usage, the Group adopted a series of initiatives outlined in the section "Energy Use Efficiency".

Energy Use Efficiency

The Group promotes the ideology of water conservation among employees. In order to effectively reduce the indirect energy consumption for water supply, water recycling system is implemented in factories to reuse water. Filtered wastewater is also used for floor cleaning to avoid wastage. Dysfunctional water faucets are repaired promptly to prevent further leakage and wastage of fresh water.

For electricity and other kinds of energy, the Group monitors machinery with abnormal high consumption rate of electricity. Regular inspections are also performed to prevent unusual operations of machinery, that may lead to higher fuel consumption. The Group promotes reasonable use of vehicles to minimize fuels combusted from driving. In offices, computers and office lights are switched off during non-business hours to minimize light pollution and reduce energy consumption. The traditional fluorescent tubes were replaced by LED lights to further enhance energy efficiency. Looking ahead, the Group will continue to make efforts in reducing energy consumption and keep up the pace of energy conservation.

Packaging Material

Compared to data from 2019, the usage of packaging materials decreased by approximately 28% in 2020 since the consumption of metal containers and plastic containers as packaging materials for coating products decreased, and the Group sought for thinner and lighter packaging materials. The Group aims at further reducing the packaging materials by regularly reviewing the packing process.

Detailed information of packaging materials used by the Group:

		2020		2019	
	Unit	**Amount**	**Intensity (per KG of coating product manufactured)**	Amount	Intensity (per KG of coating product manufactured)
Packaging materials	Tonnes	**692.00**	**0.000096**	955.41	0.000171

The Environment and Natural Resources

Group contends that corporate development should not come at the expense of the environment, and ensures that it minimises its carbon footprints by constantly monitoring the use of resources and adhering to relevant laws.

Dust

The Group obtained the ISO-14001:2015 certificate, which is related to environmental management systems, for its manufacturing plants in Shenzhen and Guangzhou. To reduce dust produced during the process of raw material delivery, air filtering system is presented at conveyor, hopper and other equipment used for transferring, loading and unloading raw materials. Bag filters process dust in the air, which is then released to the dust collector.

Noise

With regards to noise produced, production processes resulting in high nose volume are restricted to run in a closed area, where residential areas are distant from. Maintenance of production machinery is conducted regularly to avoid malfunctions that may lead to higher noise volume.

Environmental Coating Products

On top of that, Environmental Factor Identification and Evaluation Control Procedures are adopted for coating business. The Group identifies important material environment factors found in operations, products and services. These factors are then recorded in Environmental Factor Register for proper monitoring and circulating between relevant employees. As such, the Group hopes to minimize the impacts it poses on environment and promote sustainability in the long run.

SOCIAL

Employment and Labour Standards

The Group, a responsible corporate citizen who truly cherishes its employees and their efforts, adheres to all employment-related laws and regulations to safeguard the rights of its internal stakeholders. As the Group operates in the PRC, applicable laws include to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), Labour Law of the PRC (《中華人民共和國勞動法》), Regulations on Paid Annual Leave of Employees (《職工帶薪年休假條例》), Law on the Protection of Women's Rights and Interests (《婦女權益保障法》), Law on the Protection of Disabled Persons (《殘障人保障法》), and Social Insurance Law in the PRC (《社會保險法》) and Provisions of the State Council on Working Hours of Workers and Staff (《國務院有關於職工工作時間的規定》) , to name but a few.

Maintaining sincere relationship with its employees is weighted equally important as accelerating business growth by the Group. Therefore, for both streams of business, namely third-party payment services and customized liquid and powder coatings manufacturing, the Group has formulated Employee Handbooks to outline aspects that merit employees' acknowledgement and consideration. The Group covered contents include but not limit to staff recruitment, remuneration, working period, leave entitlement, pay rate, and compensation matters and procedures, with an aim to increase work efficiency and establish a uniform workflow.

Hoping to recruit the most talented from the job market, the Group provides attractive remuneration packages to employees. Employees are entitled to the five statutory social insurances and one housing fund, basic statutory festive holidays, general holidays, marriage leave, maternity leave, paternity leave, compassionate leave, with the standard of 5 work days per week and 8 work hours per day. The Group performs appraisals to effectively evaluate employees' quality of work outputs and they serve as important bases for rewards and punishment, salary adjustment and promotion, bonus. For coatings manufacturing employees, appraisals are performed quarterly; whereas for employees working for third-party payment services, respective departments perform appraisals both monthly and yearly. Based on the regular evaluation of employees' work outcomes, the Group's expectations on its employees, and employee's difficulties encountered are mutually communicated. The Group has also issued the Turnover Management System (員工離職管理制度) to detail the flow of employee resignation, lay-offs and exit formalities to provide more information to employees, preventing misunderstandings and fostering harmonious relationship with its former employees.

Anti-Child and Forced Labour

The Group ensures that no employee is made to work against his/her will, or work as forced labour, or subject to coercion related to work. Moreover, the Group strictly opposes and prohibits any form of child labour and forced labour. As officially stated in the Employee Handbook, applicants under the age of 16 will not be considered by the Group. Human Resources Department is responsible for checking and scrutinizing applicants' identification documents, education background and qualifications to guarantee that applicants meet the recruitment criteria. Background checks are also performed before official employment, to further verify applicants' information provided, and to ensure good attributes of candidates and subjective judgement of interviewers will not affect the selection process.

The Group recruits base on expertise, values and experience, regardless of race, color, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age or sexual orientation. The Group appreciates diversified and inclusive working environment and is committed to formulating equal opportunities and diversified policies for all employees. The Group's business involves manufacturing, which is typically presumed to be dominated by male workers, yet it values gender equality and will continue to enhance the diversity in the workforce.

Occupational Health and Safety

The Group abides by applicable laws and regulations regarding occupational health standards, including but not limited to the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》). It also regards employee's health and safety as the foundation of the Group's business it sincerely cares for both their mental and physical health.

The Group is conscious of the importance of health, striving to protect its employees from occupational health issues resulted from the work environment. For third-party payment services, employees who have worked for the Group for more than one year are eligible for annual health checks. On the other hand, due to the business nature of coatings manufacturing, employees are comparatively more susceptible to work-related health and safety issues. Manufacturing employees may have contact with hazardous chemicals, varieties of solvents, flammable and combustible materials, and corrosive materials. The Group is aware of the risks exposed to its employees and endeavours to reduce, if not avoid, the occurrence of incidents associated with the abovementioned substances. Hence, employees are entitled to body checks before official employment, during employment, and at resignation. The body checks cover occupational diseases related to hazardous substances such as toluene (甲苯) and xylene (二甲苯), noise exposure and dust. Apart from these specifically purposed body checks, manufacturing employees are also entitled to regular body checks before official employment and during employment. Tailor-making different scopes and coverage of health checks, the Group hopes to provide all-round protection for all its employees, regardless of their positions and streams of business.

On top of the health checks, the Group reckons that prevention is better than cure. To tackle the root cause of health and safety issues, the Group established chapters inside the Employee Handbook to cover topics such as fire safety intended to reduce the destruction caused by fire, different categories of hazardous substances, preventive and contingency measures of chemical burns and dust contacts, images of labour protection supplies to familiarize employees, to name but a few. As such, the Group intends to instil the essential work-related knowledge into its manufacturing employees, thus increasing their consciousness and encouraging them to stay alert of potential safety issues.

To maintain a healthy and pleasant work environment, which is indispensable for both employees' well-being and productivity, the Group has launched several measures, including maintaining accessibility of emergency exits in offices and manufacturing plants, establishing a smoke-free workplace, inspecting fire drills and fire extinguishers regularly, and providing adequate illumination and suitable temperature in the offices. On the other hand, the Group is strongly opposed to any form of discrimination, harassment and inappropriate conduct. The Group has listed out the relevant misconducts in the Employee Handbook (員工手冊), reminding employees to stay well-mannered and respectful. To further safeguard the employees, the Group has set up whistle-blowing procedures, so that any concerns about suspected misconduct, malpractice or impropriety can be raised confidentially.

During the year ended 31 December 2020, there were 2 reported injuries with a total of 29 lost days resulted.

Safety Measures for COVID-19

To combat with COVID-19, a pandemic that has greatly affected the workforce globally, the Group formulated an array of contingency policies to safeguard employees' safety. The Group circulated the Handbook of COVID-19 Prevention and Treatment (防控知識手冊) to familiarize employees with transmission channels of COVID-19, actions to improve personal hygiene and symptoms. Moreover, during the first quarter of 2020, the Group also required employees who had been to COVID-19 medium-risk and high-risk areas to report to department heads, and to undergo quarantine for 14 days before returning to offices. The Group actively encouraged employees to take preventive actions, such as wearing a mask, avoiding mass transportation and cleaning hands with wet wipes or sanitizers regularly.

As such, the Group hoped to enhance employees' awareness, encourage them to initiate preventive actions, and thus minimize the chance of spread and transmission of COVID-19 within the Group.

Staff Training and Development

Whilst the Group expands its business, employees and their sophisticated on-the-job knowledge are indispensable for driving the growth. Development and trainings are deemed equally important for both its employees in the third-party payment services and coatings manufacturing. For the former, sound, adequate understanding on online payments and on relevant compliance issues is the basis of job routine. For the latter, occupational health and safety, standard operating procedures for handling industrial substances and knowledge on risks of chemicals are also vital for employees' career. Given the rationale, continuous development and training of employees are exceptionally important for the Group to excel amongst competitors and to drive sustainable growth ultimately.

As outlined in the Training Management System (培訓管理制度), Human Resources Department investigate each department's needs for training, formulate the yearly training plans and control the budgeting for trainings. Each month, the department heads are obligated for forming trainings totalling to more than 2 hours for employees. During the year ended 31 December 2020, employees from third-party payment services attended a wide variety of trainings, which can be classified into three main categories and will be illustrated below with examples.

(1) Trainings to familiarize employees with policies and procedures within the Group

In July and September, the Group held internal trainings for new employees. The trainings are hosted for employees within one month of their official employment, covering topics such as information safety, anti-money laundering and introduction of Employee Handbook. Employees are required to finish a test related to the above topics, and employees with failing test marks are scheduled for a second test to ensure that they grasp the essential knowledge.

(2) Trainings to enhance employees' product knowledge and latest technological information

On 20 and 21 October 2020, the Group accomplished a training on applications of commercial crypto-technology. On 5 April 2020, an online training detailing the usage of UnionPay was held.

(3) Trainings to enhance employees' awareness on compliance issues

The Group held a training on the protection of financial and consumer rights on 18 June 2020; and a training about corporate criminal liability and compliance management on 21 May 2020, aiming to strengthen employees' understanding on legal issues related to the business.

For employees in the liquid and powder coating manufacturing, the Group held evacuation drills; trainings on safe manufacturing, on hygiene knowledge and the use of personal protective equipment (PPE), and on hazardous chemicals.

Evidently, the Group is devoted to providing well-rounded trainings for the employees. Frequent trainings and relevant seminars create corporate learning culture, inspiring employees to be inquisitive and to embrace life-long learning.

Supply Chain Management

In purchasing materials, chemicals and equipment, the Group promotes fair and open competition based on established procurement policies and procedures to ensure that the price, quality, delivery and services are in line with the best economic benefits. The Group emphasizes procurement principles and abides by the spirit of contract and adheres to the principle, purpose and content of the contract with the supplier. Mutually, the Group expects its suppliers to uphold the principles of integrity and pragmatism, and provide products and service in compliance with all applicable laws and regulations.

The Group established Procurement Workflow (採購報告流程) to standardize the procedures of purchasing from suppliers. In the supplier selection process, apart from the professional qualifications, product and service quality, reputation, suppliers' environmental and social performances are also regarded as selection criteria. Suppliers violating national environmental and labour laws will not be considered and violation of existing suppliers may result in termination of supplier relationship. As a responsible corporate citizen who cares for the environment, the Group has decent standards on the chemicals and raw materials ordered from suppliers. The Group issues Environmental Hazardous Substance Lists (環境有害物質證明書) to suppliers, requiring them to declare the levels of hazardous substances existing in the raw materials, that they intend to provide, are within the acceptable range of the Group. The Group also ensures that the suppliers hold relevant business licenses, such as Hazardous chemicals production license (危險化學品經營許可證) and qualifications for manufacturing Integrated Circuit Cards (集成電路卡), and certifications for UnionPay products.

As at 31 December 2020, the Group has a total of 303 suppliers, amongst them, 275 suppliers are located in the PRC, 28 suppliers are located in Hong Kong.

Product and Service Responsibility

Coating Product Business

The Group values the health and safety of users of its products, thus it adopts the principle of Hazardous Substance Free ("HSF") and its associated standards in examining raw materials and end products. Quality Assurance Department is responsible for checking the finished products, in order to warrant that the products manufactured by the Group are free from hazardous chemicals and are safe for consumers' usage. Once any issues on quality or safety are found, the Group promptly commence the recall mechanism, so as to retrieve the defective products and minimize the negative influence, if any. In order to build ample reputation for customers and pursue objective checking on manufacturing standards, the Group also holds various qualification certifications, such as IATF-16949:2016, which is a technical specification aimed at developing qualify management system to provide continual improvement, to emphasize defect prevention, and to reduce variation an waste in the automotive industry assembly process and supply chain. The Group also follows the quality management system of ISO 9001:2015, aiming at demonstrating the ability to provide products that exceed customers' expectations and meet regulatory requirements.

During the year ended 31 December 2020, the Group received a total of 198 complaints recalled 2 products due to safety and health reasons. The Group properly recorded the details of complaints, including dates, information of complainants, descriptions of complain and follow-up actions.

Third-party Payment Services

The Group addresses network and physical security of software and hardware, in order to provide stable and trustworthy payment service to customers. Compliance with the Administrative Measures for the Payment Services Provided by Non-financial Institutions (《非金融機構支付服務管理辦法》), issued by the People's Bank, is reckoned as the foundation for business. On top of that, the Group has established comprehensive policies and procedures relating to guidelines for daily operations, emergency procedures. Regular internal checks are performed to ensure smooth and flawless operations of systems. Moreover, customized testing attributes regarding the systems are established, and all tests performed record satisfactory results.

During the year ended 31 December 2020, the Group did not receive any complaints on its third-party payment services.

Customer Service

The Group conducts customer satisfaction survey annually to better understand the needs and opinions of the valuable customers. The Group takes all feedback and complaints from customers seriously and will ensure that immediate follow up actions are taken upon receiving complaints. Customers can raise complaints through communication channels, and the Group has established complaint resolution procedures and logs for handling complaints, the summaries of which are then documented for the Management's review.

Data Privacy

The Group greatly values data privacy protection of its existing clients, and asserts that safeguarding the data being handled and processed will contribute to its reputation in the market. Good reputation, in return, will instil trust in its potential clients and usher sustainable business growth. Due to the business nature of third-party payment services, the Group may need access to customers' personal information, payment credentials and other sensitive data.

The Group strictly adheres to applicable laws and regulations, including but not limited to Information Security Technology — Personal Information Security Specification (《信息安全技術個人信息安全規範》) and Network Security Law (《網絡安全法》). The Group has established Safety Management System (安全管理制度) to manage safety of information and prevent information technology related risks. It covers aspects such as the management of computer server rooms, Internet access, development and integration of computer system. Contingency plans for information technology highlight that the response speed must be within 60 minutes for critical incidents. If breach of information safety is found, the responsible personnel is subjected to penalties such as warnings, termination of contract or even transfer to the judiciary. Employees shall undertake the obligation to keep confidential of data, in accordance with the scope agreed upon in the aforementioned internal document.

All incoming and outgoing data is encrypted to protect the transactions and customer data from unauthorized access. With the other policies and procedures adopted, the Group is confident that current practices are abundant to safeguard customers' privacy and will strive to enhance privacy protection in the future. During the year ended 31 December 2020, there was no material non-compliance regarding data privacy.

Anti-corruption

The Group strictly complies with all applicable laws and regulations regarding anti-corruption, including Anti-Money Laundering Law (《反洗錢法》), Anti-Unfair Competition Law (《反不正當競爭法》), Criminal Law (《刑法》), of the PRC. Committed to being a law-abiding corporate citizen, the Group detests and prohibit all forms of bribery and corruptions.

The Group established Anti-money Laundering and Counter-financing of Terrorism System (反洗錢和反恐怖融資措施和制度) to prohibit these illicit acts within the businesses. The Employee Handbook states that (1) employees shall not accept gifts and benefits that are beyond common business hospitality; and (2) employees should not offer bribe to any person for the purpose of obtaining or retaining business.

For whistle-blowing, the Group values and welcomes our employees to report any suspected malpractices confidentially to the Management. An internal audit department is responsible for evaluating internal control effectiveness, detecting potential deficiencies and illustrating areas for improvement.

Social Responsibility

The Group recognizes public welfare as one of the pivotal elements of corporate culture, and thus actively practices corporate social and environmental responsibilities. During the year ended 31 December 2020, the Group did not encounter the chance to participate in public welfare activities. Yet, it strives to take the initiative to pursue areas for contribution in the coming years and will stay aware of the opportunities in the neighbourhoods. Once any opportunity is spotted, the Group will invest resources and engage employees into the communication services, such as donations, volunteering services and sponsorships.

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter/Section
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and Air Emissions (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Overview
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Measures to Reduce Waste Generation
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Measures to Reduce Waste Generation
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Overview
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Usage
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Use Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Usage
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Material

Aspect	Description	Chapter/Section
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Standards
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment and Labour Standards
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Turnover
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	Staff Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Staff Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Staff Training and Development

Aspect	Description	Chapter/Section
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
B6 Product and Service Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product and Service Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product and Service Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product and Service Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product and Service Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy

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

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天職國際

To the shareholders of Pan Asia Data Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pan Asia Data Holdings Inc. (the "Company") and its subsidiaries (together the "Group") set out on pages 58 to 139, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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 HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and other intangible assets	
As at 31 December 2020, the Group had gross carrying amount of goodwill and other intangible assets amounted to approximately HK$338,250,000 and HK$1,535,339,000 respectively, which was arisen from the acquisition of Mao Hong Information Technology Holding Limited ("Mao Hong") in 2019. Based on the management assessment, impairment losses on goodwill and other intangible assets amounted to approximately HK$338,250,000 and HK$909,242,000 respectively were recognised for the year ended 31 December 2020. Management engaged an independent valuer to assist in carrying out the goodwill and other intangible assets impairment assessment. For the purpose of assessing impairment, management considered that Mao Hong is a cash-generated-unit (the "Mao Hong CGU") and the goodwill and other intangible assets are allocated to the Mao Hong CGU. The recoverable amount of the Mao Hong CGU was determined based on fair value less costs to disposal method. Fair value derived from the market approach reflecting the market expectations over the corresponding industry using the price/sales ("P/S") ratio of the comparable companies based on market consensus. We focus on this area due to the magnitude of the carrying amount of goodwill and other intangible assets and the facts that significant judgements were required by management on the key assumptions adopted in the valuation model, i.e. the average P/S ratio of the comparable companies, discount on the lack of marketability ("DLOM"), the adjustment for control premium. The related disclosures are disclosed in notes 3.4, 4 ad 18 to the consolidated financial statements.	Our procedures in related to impairment assessment of goodwill and other intangible assets included: • Assessing the appropriateness of management's identification of cash-generated-units and allocation of goodwill and other intangible assets based on Group's accounting policy and our understanding of the Group's business; • Assessing the competency, capability and objectivity of the external valuer engaged by management; • Challenging and assessing the reasonableness of the key assumptions used in the assessment, including the average P/S ratio of comparable companies, DLOM, the adjustment for control premium, based on our knowledge of the business and industry; and • Evaluating the reasonableness of sensitivity analysis performed by the management on the key assumptions to understand the impact on the estimated recoverable amount. We found the key assumptions as stated above to be supported by the evidence obtained.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of interests in associates	
As at 31 December 2020, the Group had gross carrying amount of interests in associates in Lian Yang Guo Rong Holdings Limited ("Lian Yang Guo Rong") amounted to approximately HK$136,308,000. Based on the management assessment, impairment losses on interests in associates amounted to approximately HK$27,558,000 were recognised for the year ended 31 December 2020. Management engaged an independent valuer to assist in carrying out the interests in associates impairment assessment. For the purpose of assessing impairment, the recoverable amount of the Lian Yang Guo Rong was determined based on fair value less costs to disposal method. Fair value derived from the market approach reflecting the market expectations over the corresponding industry using the P/S ratio of the comparable companies based on market consensus. We focus on this area due to the facts that significant judgements were required by management on the key assumptions adopted in the valuation model, i.e. the average P/S ratio of the comparable companies, DLOM, the adjustment for control premium. The related disclosures are disclosed in notes 3.5, 4 ad 19 to the consolidated financial statements.	Our procedures in related to impairment assessment of interests in associates included: • Assessing the competency, capability and objectivity of the external valuer engaged by management; • Challenging and assessing the reasonableness of the key assumptions used in the assessment, including the average P/S ratio of comparable companies, DLOM, the adjustment for control premium, based on our knowledge of the business and industry; and • Evaluating the reasonableness of sensitivity analysis performed by the management on the key assumptions to understand the impact on the estimated recoverable amount. We found the key assumptions as stated above to be supported by the evidence obtained.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of trade receivables	
As at 31 December 2020, the carrying amount of trade receivables amounted to approximately HK$189,634,000 (net of impairment losses of amounted to approximately HK$23,431,000). The impairment under expected credit losses model on trade receivables are assessed individually and/or collectively with appropriate groupings. This is based on the Group's historical observed default rates taking into consideration forward-looking information that is reasonable and supportably available to the management of the Group without undue costs or effort, and are updated if considered to be required. We have identified the valuation of trade receivables as a key audit matter because the carrying amount of trade receivables is significant and the impairment assessment of trade receivables requires significant management judgements. The related disclosures are disclosed in notes 3.12, 23 ad 39 to the consolidated financial statements.	Our procedures in related to valuation of trade receivables included. • Obtaining an understanding and evaluating the key controls over credit risk assessment and management's process on reviewing the recoverability of trade receivables; • Assessing the reasonableness of management's loss allowance estimates by examining the information 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 and examining the actual losses recorded during the current financial year; and • Testing, on a sample basis, the accuracy of aging categories of trade receivables to the delivery notes, sales invoices and sales order. We found the key assumptions as stated above to be supported by the evidence obtained.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA 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.

Those charged with governance are responsible 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 auditor's report that includes our opinion. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

— 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

The engagement director on the audit resulting in the independent auditor's report is Gao Yajun.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 31 March 2021

Gao Yajun
Practising certificate number P06391

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**622,068**	730,699
Cost of sales		**(485,312)**	(522,915)
Gross profit		**136,756**	207,784
Other income	7	**33,432**	28,435
Other gains and losses, net	8	**(1,465)**	(7,253)
Impairment losses under expected credit loss model, net of reversal	9	**(14,053)**	(3,672)
Impairment losses of goodwill and other intangible assets	18	**(1,247,492)**	–
Impairment losses of interests in associates	19	**(27,558)**	–
Distribution and selling expenses		**(52,983)**	(53,304)
Administrative expenses		**(152,712)**	(119,519)
Finance costs	10	**(52,780)**	(16,702)
Share of results of associates	19	**22,648**	3,733
(Loss)/profit before taxation	12	**(1,356,207)**	39,502
Income tax credit/(expense)	13	**233,342**	(8,400)
(Loss)/profit for the year		**(1,122,865)**	31,102
(Loss)/profit for the year attributable to:			
Owners of the Company		**(627,682)**	(23,309)
Non-controlling interests		**(495,183)**	54,411
		(1,122,865)	31,102
Loss per share			
Basic and diluted	15	**(HK93.4) cents**	(HK3.8) cents

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 HK$'000	2019 HK$'000
(Loss)/profit for the year	**(1,122,865)**	31,102
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**112,638**	(33,148)
Share of other comprehensive income/(expense) of associates	**9,604**	(3,153)
Other comprehensive income/(expense) for the year	**122,242**	(36,301)
Total comprehensive expense for the year	**(1,000,623)**	(5,199)
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(570,249)**	(41,469)
Non-controlling interests	**(430,374)**	36,270
	(1,000,623)	(5,199)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**134,082**	99,368
Right-of-use assets	17	**73,273**	70,051
Intangible assets	18	**626,681**	1,827,270
Interests in associates	19	**261,801**	325,586
Financial assets at fair value through profit or loss	20	**544**	511
Deferred tax assets	21	**5,460**	1,440
Deposits paid for non-current assets		**2,899**	2,628
		1,104,740	2,326,854
Current assets			
Inventories	22	**38,345**	45,731
Trade and other receivables	23	**382,140**	555,882
Tax recoverable		**25**	23
Restricted bank deposits	24	**350,051**	424,285
Bank balances and cash	25	**227,878**	420,058
		998,439	1,445,979
Current liabilities			
Trade and other payables	26	**401,965**	801,288
Lease liabilities	27	**11,279**	9,250
Borrowings	29	**500,000**	50,234
Promissory notes payable	28	**–**	9,391
Tax payable		**9,834**	15,531
		923,078	885,694
Net current assets		**75,361**	560,285
Total assets less current liabilities		**1,180,101**	2,887,139
Non-current liabilities			
Promissory notes payable	28	**163,579**	–
Deferred tax liabilities	21	**154,378**	369,032
Borrowings	29	**–**	500,000
Lease liabilities	27	**20,891**	20,252
Contingent consideration payable	32	**–**	205,846
		338,848	1,095,130
Net assets		**841,253**	1,792,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	*31*	**6,774**	6,631
Reserves		**228,229**	748,754
Equity attributable to owners of the Company		**235,003**	755,385
Non-controlling interests		**606,250**	1,036,624
Total equity		**841,253**	1,792,009

The consolidated financial statements on pages 58 to 139 were approved and authorised for issue by the Board of Directors on 31 March 2021 and are signed on its behalf by:

Li Zhong Yuan
Director

Liu Rong Rong
Director

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company			
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(Note a)*	Shareholders' contribution/ distribution reserve HK$'000 *(Note b)*
At 1 January 2019	6,000	130,806	32,000	(274)
(Loss)/profit for the year	–	–	–	–
Other comprehensive expense				
Exchange differences arising on translation of foreign operations	–	–	–	–
Share of other comprehensive expense of associates	–	–	–	–
Other comprehensive expense for the year	–	–	–	–
Total comprehensive (expense)/income for the year	–	–	–	–
Issue of shares *(Note 31)*	631	194,573	–	–
Increase in non-controlling interest as a result of acquisition of a subsidiary *(Note 32)*	–	–	–	–
Appropriation to statutory reserve	–	–	–	–
At 31 December 2019 and 1 January 2020	**6,631**	**325,379**	**32,000**	**(274)**
Loss for the year	**-**	**-**	**-**	**-**
Other comprehensive income				
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**
Share of other comprehensive income of associates	**-**	**-**	**-**	**-**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**-**
Issue of shares *(Note 31)*	**143**	**49,724**	**-**	**-**
Appropriation to statutory reserve	**-**	**-**	**-**	**-**
At 31 December 2020	**6,774**	**375,103**	**32,000**	**(274)**

	Attributable to owners of the Company			
	Translation reserve HK$'000	Other reserve HK$'000 *(Note c)*	Non-distributable reserve HK$'000 *(Note d)*	Retained profits/ (accumulated losses) HK$'000
At 1 January 2019	4,522	4,571	13,133	410,892
(Loss)/profit for the year	–	–	–	(23,309)
Other comprehensive expense				
Exchange differences arising on translation of foreign operations	(15,007)	–	–	–
Share of other comprehensive expense of associates	(3,153)	–	–	–
Other comprehensive expense for the year	(18,160)	–	–	–
Total comprehensive (expense)/income for the year	(18,160)	–	–	(23,309)
Issue of shares *(Note 31)*	–	–	–	–
Increase in non-controlling interest as a result of acquisition of a subsidiary *(Note 32)*	–	–	–	–
Appropriation to statutory reserve	–	–	3,150	(3,150)
At 31 December 2019 and 1 January 2020	**(13,638)**	**4,571**	**16,283**	**384,433**
Loss for the year	**-**	**-**	**-**	**(627,682)**
Other comprehensive income				
Exchange differences arising on translation of foreign operations	**47,829**	**-**	**-**	**-**
Share of other comprehensive income of associates	**9,604**	**-**	**-**	**-**
Other comprehensive income for the year	**57,433**	**-**	**-**	**-**
Total comprehensive income/(expense) for the year	**57,433**	**-**	**-**	**(627,682)**
Issue of shares *(Note 31)*	**-**	**-**	**-**	**-**
Appropriation to statutory reserve	**-**	**-**	**1,149**	**(1,149)**
At 31 December 2020	**43,795**	**4,571**	**17,432**	**(244,398)**

	Attributable to owners of the Company		
	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	601,650	12,330	613,980
(Loss)/profit for the year	(23,309)	54,411	31,102
Other comprehensive expense			
Exchange differences arising on translation of foreign operations	(15,007)	(18,141)	(33,148)
Share of other comprehensive expense of associates	(3,153)	–	(3,153)
Other comprehensive expense for the year	(18,160)	(18,141)	(36,301)
Total comprehensive (expense)/income for the year	(41,469)	36,270	(5,199)
Issue of shares *(Note 31)*	195,204	–	195,204
Increase in non-controlling interest as a result of acquisition of a subsidiary *(Note 32)*	–	988,024	988,024
Appropriation to statutory reserve	–	–	–
At 31 December 2019 and 1 January 2020	**755,385**	**1,036,624**	**1,792,009**
Loss for the year	**(627,682)**	**(495,183)**	**(1,122,865)**
Other comprehensive income			
Exchange differences arising on translation of foreign operations	**47,829**	**64,809**	**112,638**
Share of other comprehensive income of associates	**9,604**	**-**	**9,604**
Other comprehensive income for the year	**57,433**	**64,809**	**122,242**
Total comprehensive income/(expense) for the year	**(570,249)**	**(430,374)**	**(1,000,623)**
Issue of shares *(Note 31)*	**49,867**	**-**	**49,867**
Appropriation to statutory reserve	**-**	**-**	**-**
At 31 December 2020	**235,003**	**606,250**	**841,253**

Notes:

(a) The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK$1 each issued by a subsidiary of the Company to its shareholders prior to a group reorganisation in 2002.

(b) The balance as at 31 December 2019 and 2020 included: (i) deemed distribution to a shareholder of approximately HK$12,515,000 involving a distribution of assets other than cash to an owner by making reference to the fair value of the assets being distributed; (ii) deemed contribution from a shareholder of approximately HK$842,000 about the disposal of a subsidiary which having net liabilities; and (iii) deemed shareholders' contribution upon the waiver of loan from the former ultimate holding company of approximately HK$11,399,000.

(c) Other reserve was resulted from the partial disposal of a subsidiary in previous years.

(d) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the People's Republic of China (the "PRC") to the non-distributable reserve under the PRC laws and regulations until the transferred amount equals to 50% of the registered capital of these PRC subsidiaries. It can be used to make up for previous years' losses or converted into additional capital of these PRC subsidiaries.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Operating activities			
(Loss)/profit before taxation		**(1,356,207)**	39,502
Adjustments for:			
Impairment losses under expected credit loss model	9	**14,053**	3,672
Impairment losses of goodwill and other intangible assets	18	**1,247,492**	–
Impairment losses of interests in associates	19	**27,558**	–
Depreciation of property, plant and equipment	12	**16,661**	14,960
Depreciation of right-of-use assets	12	**11,801**	7,239
Amortisation of intangible assets	12	**46,254**	19,319
Net (gain)/loss on disposal of property, plant and equipment	8	**(305)**	875
Net loss on disposal of intangible assets	8	**–**	643
Net gain on lease modification	8	**(41)**	–
Interest income	7	**(6,943)**	(7,066)
Finance costs	10	**52,780**	16,702
Share of results of associates	19	**(22,648)**	(3,733)
Loss on fair value change of contingent consideration payable	8	**8,149**	10,026
Operating cash flows before movements in working capital		**38,604**	102,139
Decrease/(increase) in inventories		**10,331**	(1,220)
Decrease in trade and other receivables		**192,802**	42,944
Decrease in restricted bank deposits		**101,558**	203
(Decrease)/increase in trade and other payables		**(448,101)**	86,418
Cash (used in)/generated from operations		**(104,806)**	230,484
Income tax paid		**(11,873)**	(1,681)
Net cash (used in)/generated from operating activities		**(116,679)**	228,803
Investing activities			
Payments for right-of-use assets		**–**	(16,724)
Payments for purchases of property, plant and equipment		**(50,964)**	(10,703)
Payments for purchase of intangible assets		**(94)**	(429)
Net cash inflow on acquisition of a subsidiary	32	**–**	19,854
Cash consideration for acquisition of interests in associates		**–**	(76,365)
Dividends received from an associate	19	**68,479**	–
Interest received		**6,943**	7,066
Proceeds from disposal of property, plant and equipment		**6,152**	643
Net cash generated from/(used in) investing activities		**30,516**	(76,658)
Financing activities			
Interest paid		**(36,352)**	(3,060)
Repayments of lease liabilities	37	**(12,226)**	(6,599)
Repayments of promissory notes payable	37	**(74,466)**	(530,600)
New other borrowing raised	37	**–**	500,000
Proceeds from issue of shares	31	**49,867**	129,150
Repayment of loan	37	**(50,234)**	–
Net cash (used in)/generated from financing activities		**(123,411)**	88,891
Net (decrease)/increase in cash and cash equivalents		**(209,574)**	241,036
Cash and cash equivalents at the beginning of the year		**420,058**	180,246
Effect of foreign exchange rate changes		**17,394**	(1,224)
Cash and cash equivalents at end of the year		**227,878**	420,058

The accompanying notes are an integral part of the consolidated financial statements.

1 GENERAL INFORMATION

Pan Asia Data Holdings Inc. (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands and Room 1707–8, 17/F, New World Tower 1, 16–18 Queen's Road Central, Hong Kong, respectively.

The Company's immediate and ultimate holding company is Timenew Limited ("Timenew"), a limited liability company incorporated in the British Virgin Islands (the "BVI") the beneficial owners of which are Mr. Li Xiao Ru and Dr. Li Zhong Yuan who are legally interested in 51% and 49% and beneficially interested in 85.8098% and 14.1902% of the entire issued share capital of Timenew respectively.

The Company is an investment holding company. Particulars of the Company's principal subsidiaries are set out in Note 43. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company, unless otherwise stated.

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

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

(Expressed in Hong Kong dollars)

2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New and amendments to HKFRSs in issue but not yet effective

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

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

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

The board of directors ("Board" or "Directors") anticipate that the application of these new, and amendments to, HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

3.1 Basis of preparation of consolidated financial statements *(Continued)*

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

3.2 Basis of consolidation

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

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

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

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

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

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

3.2 Basis of consolidation *(Continued)*

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

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

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

3.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

3.3 Business combinations *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 Financial Instruments ("HKFRS 9") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.3 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 3.5 below.

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

3.5 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associates.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

3.6 Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates 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 completed to date.

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

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

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

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

Further details of the Group's revenue recognition policies are disclosed in note 5.

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

3.7 Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

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

3.7 Leases *(Continued)*

The Group as a lessee *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 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.

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

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

3.7 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

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

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

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

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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

3.7 Leases *(Continued)*

The Group as a lessor *(Continued)*

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.8 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). 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.

Construction in progress represents property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

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

3.9 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

3.10 Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

3.10 Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.12 Financial instruments

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

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

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

3.12 Financial instruments *(Continued)*

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

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

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

3.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively with appropriate groupings.

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

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

3.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, 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.

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

3.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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 borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

3.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

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

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

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

3.12 Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits/accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

3.12 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including borrowings, lease liabilities and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

3.13 Employee benefits

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including Occupational Retirement Scheme (the "ORSO Scheme"), the Mandatory Provident Fund Scheme ("MPF Scheme") and the state-managed retirement benefit schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3.14 Taxation

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

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

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

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

3.14 Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

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

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

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

3.15 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

3.17 Government grants

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

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

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

3.18 Provisions

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

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

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

3.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3.20 Segment reporting

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

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

3.21 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 of the Group;

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3.22 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Intangible assets — Trademarks and license assessed to have indefinite useful lives

The Group regarded and assessed its trademarks and license to have indefinite useful lives as at date of acquisition of a subsidiary and at end of reporting period. Accounting policy of intangible assets with indefinite useful lives is set out in note 3.9. Details of the trademarks and license and the reasons for the Group's assessment are set out in note 18.

Estimated impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets is impaired requires an estimation of the recoverable amount of the cash-generating units (of a group of cash-generating units) to which goodwill and other intangible assets has been allocated, which is the higher of the value in use or fair value less costs of disposal. The recoverable amount is arrived from the Market Approach reflected the market expectations over corresponding industry as the price/sales ("P/S") ratio of the comparable companies were arrived from market consensus, the determination of which requires the exercise of judgment. Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment of associates

As at 31 December 2020, in view of impairment indicators, the Group performed impairment assessment on an associate. Determining whether impairment losses should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The recoverable amount is arrived from the Market Approach reflected the market expectations over corresponding industry as the P/S ratio of the comparable companies were arrived from market consensus, the determination of which requires the exercise of judgment. Details of the recoverable amount calculation are disclosed in note 19.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 39.

5 REVENUE

	2020 HK$'000	2019 HK$'000
Disaggregation of revenue from contracts with customers within the scope of HKFRS 15:		
Provision of third-party payment services		
— Commission income	**250,894**	174,814
— Fintech enabling service income	**33,498**	117,579
— Others	**6,912**	3,281
	291,304	295,674
Sales of goods		
— Liquid coatings	**300,857**	404,120
— Powder coatings	**29,907**	30,905
	330,764	435,025
	622,068	730,699

The Group's revenue recognition policies are disclosed as follows:

Provision of third-party payment services

The revenue of the Group from provision of third-party payment services is recognised at a point in time.

The Group has concluded it is the principal and recognises the commission income on a gross basis because it controls the services before delivery to the payees, it has primarily responsibility for the delivery of the services and has discretion in setting prices charged to payees. The Group also has the unilateral ability to accept or reject a transaction based on criteria established by the Group. The Group is also liable for the costs of processing the transactions for the payees, and records such costs within cost of sales.

Revenue from fintech enabling service income is generally recognised when customer acceptance has been obtained.

Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

6 OPERATING SEGMENTS

The management has determined the operating segments based on the internal reports reviewed and used by the management of the Group, who are the chief operating decision makers ("CODM"), for strategic decision making.

The CODM considers the business from a product and service perspective. The Group is organised into certain business units according to the nature of the products sold or services provided. The CODM reviews operating results and financial information of each business unit separately. Accordingly, each business unit is identified as an operating segment. These operating segments with similar economic characteristics and similar nature of products sold or services provided have been aggregated into the following reporting segments.

Third-party payment services — Provision of third-party payment services

Coatings — Manufacturing and trading of coatings

Segment revenues and results

Group's revenue and results by operating and reportable segments are presented below:

Year ended 31 December 2020

	Third-party payment services HK$'000	Coatings HK$'000	Total HK$'000
REVENUE			
External revenue (Point in time)	291,304	330,764	622,068
RESULTS			
Segment (losses)/profits	(1,256,897)	57,727	(1,199,170)
Interest income			6,943
Unallocated corporate other income			7,682
Unallocated corporate expenses			(105,362)
Unallocated corporate other gains and losses, net			(8,610)
Finance costs			(52,780)
Impairment losses of interests in associates			(27,558)
Share of results of associates			22,648
Loss before taxation			(1,356,207)
Income tax credit			233,342
Loss for the year			(1,122,865)

6 OPERATING SEGMENTS *(Continued)*

Segment revenues and results *(Continued)*

Group's revenue and results by operating and reportable segments are presented below: *(Continued)*

Year ended 31 December 2019

	Third-party payment services HK$'000	Coatings HK$'000	Total HK$'000
REVENUE			
External revenue (Point in time)	295,674	435,025	730,699
RESULTS			
Segment profits	95,544	40,864	136,408
Interest income			7,066
Unallocated corporate income			7,229
Unallocated corporate expenses			(86,683)
Unallocated corporate other gains and losses, net			(11,549)
Finance costs			(16,702)
Share of results of associates			3,733
Profit before taxation			39,502
Income tax expense			(8,400)
Profit for the year			31,102

Segment profits represent the results of each segment without allocation of corporate items, including interest income, management fee income and rental income from subsidiaries of an associate, net gain/loss on disposal of property, plant and equipment and intangible assets, central administration cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, loss on fair value change of contingent consideration payable, finance costs, impairment losses of interests in associates and share of results of associates. This is the measure reported to the management of the Group for the purpose of resources allocation and performance assessments.

6 OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities and other information

Group's assets and liabilities and other information by operating and reportable segments are presented below:

As at 31 December 2020

	Third-party payment services HK$'000	Coatings HK$'000	Total HK$'000
ASSETS			
Segment assets	1,351,436	463,206	1,814,642
Unallocated assets			288,537
			2,103,179
LIABILITIES			
Segment liabilities	352,840	583,119	935,959
Unallocated liabilities			325,967
			1,261,926
OTHER INFORMATION			
Additions to non-current assets *(Note)*			
— Allocated	1,006	65,062	66,068
— Unallocated			10
			66,078
Depreciation and amortisation			
— Allocated	54,139	19,357	73,496
— Unallocated			1,220
			74,716
Impairment losses of goodwill and other intangible assets	1,247,492	–	1,247,492
Impairment losses on trade and other receivables recognised in profit or loss	12,729	1,324	14,053

6 OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities and other information *(Continued)*

Group's assets and liabilities and other information by operating and reportable segments are presented below: *(Continued)*

As at 31 December 2019

	Third-party payment services HK$'000	Coatings HK$'000	Total HK$'000
ASSETS			
Segment assets	2,926,112	507,513	3,433,625
Unallocated assets			339,208
			3,772,833
LIABILITIES			
Segment liabilities	764,155	577,650	1,341,805
Unallocated liabilities			639,019
			1,980,824
OTHER INFORMATION			
Additions to non-current assets *(Note)*			
— Allocated	1,904,809	26,931	1,931,740
— Unallocated			4,772
			1,936,512
Depreciation and amortisation			
— Allocated	23,739	17,176	40,915
— Unallocated			603
			41,518
Impairment losses on trade and other receivables recognised in profit or loss	2,526	1,146	3,672

Segment assets include all tangible and intangible non-current assets and current assets with the exception of interests in associates, financial assets at fair value through profit or loss, deferred tax assets and other corporate assets. Segment liabilities include trade and bills payables, lease liabilities and borrowings attributable to sales activities of each segment with the exception of corporate expense payables.

Note: Non-current assets excluded interests in associates, financial assets at fair value through profit or loss, deferred tax assets and deposits paid for non-current assets.

6 OPERATING SEGMENTS *(Continued)*

Revenue from major customers

During the year, the revenue from the major customer which contributed over 10% of total revenue of the Group is as follows:

	2020 **HK$'000**	2019 HK$'000
Customer A *(Note)*	**N/A**	140,573

Note: Revenue from sales of coatings

Geographical information

No separate analysis of segment information by geographical information is presented as the Group's revenue is principally attributable to a single geographical region, which is the PRC. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2020 **HK$'000**	2019 HK$'000
The PRC	**799,334**	1,996,689
Vietnam	**34,702**	–
	834,036	1,996,689

Note: Non-current assets excluded interests in associates, financial assets at fair value through profit or loss, deferred tax assets and deposits paid for non-current assets.

7 OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Royalty fee income	**12,765**	9,783
Management fee income	**4,377**	7,195
Rental income	**3,681**	2,298
Transportation fee income	**5,666**	2,093
Interest income	**6,943**	7,066
	33,432	28,435

8 OTHER GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000
Net gain/(loss) on disposal of property, plant and equipment	**305**	(875)
Net loss on disposal of intangible assets	**–**	(643)
Net exchange (loss)/gain	**(2,264)**	494
Net gain on lease modification	**41**	–
Loss on fair value change of contingent consideration payable	**(8,149)**	(10,026)
Government grants *(Note)*	**6,130**	2,682
Others	**2,472**	1,115
	(1,465)	(7,253)

Note: Mainly subsidies received from government authority for the support of the development of the Group's subsidiaries as new and high technology enterprise and contribution to local economic development. There is no specified condition attached to these subsidies.

9 IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 HK$'000	2019 HK$'000
Impairment losses recognised/(reversed) on:		
— Trade receivables	**15,803**	4,311
— Other receivables and deposits	**(1,750)**	(639)
	14,053	3,672

Details of impairment assessment are set out in note 39.

10 FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowing and other borrowing	**36,448**	6,604
Interest on lease liabilities	**1,673**	919
Imputed interest on promissory notes payable *(Note 28)*	**14,659**	9,179
	52,780	16,702

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Executive directors		Non-executive directors		Independent non-executive directors			
	Dr. Li Zhong Yuan HK$'000	Ms. Liu Rong Rong HK$'000 *(Note ii)*	Mr. Kong Muk Yin HK$'000 *(Note iii)*	Ms. Zuo Yi HK$'000 *(Note iv)*	Mr. Li Gong HK$'000	Mr. Wang Jianping HK$'000	Dr. Shi Ping HK$'000	Total HK$'000
Year ended 31 December 2020								
Fee	**–**	**–**	**3**	**171**	**180**	**180**	**180**	**714**
Discretionary bonuses *(Note i)*	**900**	**180**	**–**	**–**	**–**	**–**	**–**	**1,080**
Other emoluments								
Salaries and other benefits	**15,937**	**1,325**	**–**	**–**	**–**	**–**	**–**	**17,262**
Retirement benefit scheme contributions	**18**	**18**	**–**	**–**	**–**	**–**	**–**	**36**
	16,855	**1,523**	**3**	**171**	**180**	**180**	**180**	**19,092**
Year ended 31 December 2019								
Fee	–	–	120	180	180	180	180	840
Discretionary bonuses *(Note i)*	900	180	–	–	–	–	–	1,080
Other emoluments								
Salaries and other benefits	11,940	453	–	–	–	–	–	12,393
Amounts as inducement for directors to join the Group	638	346	–	10	10	10	10	1,024
Retirement benefit scheme contributions	14	6	–	–	–	–	–	20
	13,492	985	120	190	190	190	190	15,357

Notes:

(i) Discretionary bonus was determined by the management of the Group by reference to the performance of directors and the Group's operating results.

(ii) Ms. Liu Rong Rong was appointed as the executive director of the Company on 6 September 2019.

(iii) Mr. Kong Muk Yin resigned as non-executive director of the Company on 10 January 2020.

(iv) Ms. Zuo Yi resigned as non-executive director of the Company on 14 December 2020.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During both years, no remuneration was paid by the Group to the directors as compensation for loss of office. None of the directors has waived any remuneration during both years.

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals included two directors (2019: two directors) and whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining three (2019: three) highest paid employee who are not the directors of the Company, are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**5,182**	4,061
Discretionary bonus	**115**	–
Retirement benefit scheme contributions	**248**	236
	5,545	4,297

The emoluments of the individuals with the highest emoluments who are not the directors of the Company are within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	1

During both years, no emoluments were paid by the Group to the above individuals who are not the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

12 (LOSS)/PROFIT BEFORE TAXATION

	2020 HK$'000	2019 HK$'000
(Loss)/profit before taxation has been arrived at after charging:		
Auditor's remuneration	**2,800**	2,580
Directors' emoluments *(Note 11)*		
— Fee	**714**	840
— Discretionary bonuses	**1,080**	1,080
— Salaries and other benefits	**17,262**	13,417
— Retirement benefit scheme contributions	**36**	20
	19,092	15,357
Other staff costs:		
— Salaries and other benefits	**126,539**	104,786
— Retirement benefit scheme contributions	**5,596**	10,557
Total staff costs	**151,227**	130,700
Depreciation of property, plant and equipment *(Note 16)*	**16,661**	14,960
Depreciation of right-of-use assets *(Note 17)*	**11,801**	7,239
Amortisation of intangible assets *(Note 18)*	**46,254**	19,319
Total depreciation and amortisation	**74,716**	41,518
Cost of inventories recognised as an expense (included in cost of sales)	**223,561**	244,620
Donation	**2,647**	1,980

13 INCOME TAX (CREDIT)/EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	**1,182**	737
Over-provision in prior years	**(272)**	–
	910	737
PRC Enterprise Income Tax:		
Current year	**8,988**	14,107
Over-provision in prior years	**(1,761)**	(1,575)
	7,227	12,532
Deferred tax *(Note 21)*	**(241,479)**	(4,869)
Taxation (credit)/charge	**(233,342)**	8,400

The Company and its subsidiaries incorporated in the Cayman Islands and the BVI are exempted from profit tax under the tax laws of the Cayman Islands and the BVI.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Taiwan income tax is calculated at 17% on the assessable taxable profits of the Group's Taiwan branch for both years. No provision for Taiwan income tax has been made as the Group has no assessable profits arising in Taiwan.

Under the Law of the PRC in Enterprise Income tax (the "EIT Law") and Implementation Regulations of the EIT Law, the applicable tax rate for the Company's subsidiaries registered in the PRC is 25% for both years, except 萬輝(廣州)高新材料有限公司 (Manfield (Guangzhou) Innovative Materials Limited*) ("Manfield GZ"). Manfield GZ obtained qualification as a high and new technology enterprise on 10 October 2015, which is valid for three years, and the relevant application to the competent tax authority has also been filed. The qualification as a high and new technology enterprise has been renewed for an additional three years on 28 November 2018. Hence, Manfield GZ is subject to the preferential tax treatment and the applicable tax rate for the year ended 31 December 2020 is 15% (2019: 15%).

* *English translation of name is for identification purpose only*

13 INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The taxation (credit)/charge for the year can be reconciled to the (loss)/profit before taxation as follows:

	2020 HK$'000	2019 HK$'000
(Loss)/profit before taxation	**(1,356,207)**	39,502
Less: Share of results of associates	**(22,648)**	(3,733)
	(1,378,855)	35,769
Taxation at Hong Kong Profits Tax rate of 16.5%	**(227,511)**	5,902
Tax effect of expenses not deductible for tax purposes	**15,503**	7,443
Tax effect of income not taxable for tax purposes	**(435)**	(810)
Tax effect of tax losses not recognised	**7,016**	5,720
Utilisation of tax losses previously not recognised	**(13)**	(9,526)
Effect of different tax rates of subsidiaries operating in the PRC	**(24,172)**	3,384
Effect of two-tiered tax rates in Hong Kong	**(165)**	(165)
Effect of income tax on concessionary rate in the PRC	**(24)**	(78)
Over-provision in prior years	**(2,033)**	(1,575)
Additional deduction for research and development expense	**(1,660)**	(2,162)
Others	**152**	267
Taxation (credit)/charge for the year	**(233,342)**	8,400

14 DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2020 and 2019, nor has any dividend been proposed after the end of reporting period.

15 LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
Loss for the year attributable to owners of the Company	**(627,682)**	(23,309)

	2020 '000	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**672,114**	621,043

No diluted loss per share has been presented as the Company did not have any potential ordinary shares outstanding for both years.

16 PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2019	118,557	40,207	34,732	9,864	39,903	1,089	244,352
Additions	–	2,726	2,640	1,237	2,851	1,249	10,703
Acquisition of a subsidiary *(Note 32)*	–	1,108	5,033	3,236	–	–	9,377
Disposals	(19)	–	(3,537)	(958)	(8,798)	–	(13,312)
Transfer	–	–	–	–	109	(109)	–
Exchange adjustments	(2,141)	(410)	(1,140)	(331)	(1,133)	(13)	(5,168)
At 31 December 2019 and 1 January 2020	**116,397**	**43,631**	**37,728**	**13,048**	**32,932**	**2,216**	**245,952**
Additions	**–**	**4,647**	**1,933**	**1,376**	**5,554**	**37,454**	**50,964**
Disposals	**(23)**	**–**	**(698)**	**(6,434)**	**(5,714)**	**–**	**(12,869)**
Transfer	**824**	**–**	**–**	**–**	**–**	**(824)**	**–**
Exchange adjustments	**6,213**	**2,557**	**4,439**	**917**	**2,509**	**669**	**17,304**
At 31 December 2020	**123,411**	**50,835**	**43,402**	**8,907**	**35,281**	**39,515**	**301,351**
Depreciation							
At 1 January 2019	49,436	30,077	31,431	7,381	27,998	–	146,323
Provided for the year *(Note 12)*	4,159	3,485	2,280	1,558	3,478	–	14,960
Eliminated on disposals	(11)	–	(3,210)	(903)	(7,670)	–	(11,794)
Exchange adjustments	(1,017)	(146)	(861)	(209)	(672)	–	(2,905)
At 31 December 2019 and 1 January 2020	**52,567**	**33,416**	**29,640**	**7,827**	**23,134**	**–**	**146,584**
Provided for the year *(Note 12)*	**4,022**	**3,791**	**2,939**	**2,034**	**3,875**	**–**	**16,661**
Eliminated on disposals	**(13)**	**–**	**(666)**	**(5,647)**	**(696)**	**–**	**(7,022)**
Exchange adjustments	**3,195**	**2,260**	**2,231**	**1,075**	**2,285**	**–**	**11,046**
At 31 December 2020	**59,771**	**39,467**	**34,144**	**5,289**	**28,598**	**–**	**167,269**
Carrying amount							
At 31 December 2019	63,830	10,215	8,088	5,221	9,798	2,216	99,368
At 31 December 2020	**63,640**	**11,368**	**9,258**	**3,618**	**6,683**	**39,515**	**134,082**

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Owned properties	Over the shorter of the term of the lease and 50 years
Leasehold improvements	4.5%–30%
Furniture, fixtures and office equipment	18%–20%
Motor vehicles	18%–25%
Plant, machinery and equipment	4%–18%

As at 31 December 2019, the Group is in the process of obtaining title deeds from relevant government authorities for its owned properties in the PRC amounting to approximately HK$10,850,000. In the opinion of the management of the Group, the Group is not required to incur additional costs in obtaining the title deeds for its owned properties in the PRC.

17 RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
Carrying amount			
At 1 January 2019	26,742	9,376	36,118
Additions	16,724	5,320	22,044
Acquisition of a subsidiary *(Note 32)*	–	20,370	20,370
Provided for the year *(Note 12)*	(780)	(6,459)	(7,239)
Exchange adjustments	(787)	(455)	(1,242)
At 31 December 2019 and 1 January 2020	**41,899**	**28,152**	**70,051**
Additions	**–**	**15,020**	**15,020**
Provided for the year *(Note 12)*	**(1,077)**	**(10,724)**	**(11,801)**
Reassessment	**–**	**(3,481)**	**(3,481)**
Exchange adjustments	**1,832**	**1,652**	**3,484**
At 31 December 2020	**42,654**	**30,619**	**73,273**

The Group leases various offices, warehouses and staff quarters for its operations for both years. Lease contracts are entered into for fixed term of 1 year to 5 years (2019: 1 year to 5 years), but may have extension as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several leasehold lands in the PRC and Vietnam under medium-term lease. Lump sum payments were made upfront to acquire these leasehold lands.

As at 31 December 2020, right-of-use assets with carrying amount of approximately HK$5,527,000 (2019: HK$5,527,000) are still in the process of applying the title certificates.

During the year ended 31 December 2020, the expense relating to short term lease amounted to approximately HK$66,000 (2019: HK$28,000).

The Group has extension options in a number of leases for offices (2019: offices). These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

	Lease liabilities recognised as at 31 December 2020 HK$'000	**Potential future lease payments not included in lease liabilities (undiscounted) 31 December 2020 HK$'000**	Lease liabilities recognised as at 31 December 2019 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) 31 December 2019 HK$'000
Offices	**2,726**	**8,047**	4,233	7,560

17 RIGHT-OF-USE ASSETS *(Continued)*

The Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2020, there is no such triggering event (2019: Nil).

18 INTANGIBLE ASSETS

	Goodwill HK$'000	Computer software HK$'000	Trademarks HK$'000	Technology HK$'000	Licenses HK$'000	Distribution network HK$'000	Total HK$'000
Cost							
At 1 January 2019	–	–	–	–	–	–	–
Additions	–	429	–	–	–	–	429
Acquisition of a subsidiary *(Note 32)*	338,250	14,997	194,773	102,273	1,002,841	220,455	1,873,589
Disposals	–	(1,260)	–	–	–	–	(1,260)
Exchange adjustments	–	(539)	(3,435)	(1,804)	(17,688)	(3,888)	(27,354)
At 31 December 2019 and 1 January 2020	**338,250**	**13,627**	**191,338**	**100,469**	**985,153**	**216,567**	**1,845,404**
Additions	**–**	**94**	**–**	**–**	**–**	**–**	**94**
Exchange adjustments	**–**	**1,944**	**12,322**	**6,470**	**63,445**	**13,947**	**98,128**
At 31 December 2020	**338,250**	**15,665**	**203,660**	**106,939**	**1,048,598**	**230,514**	**1,943,626**
Amortisation and impairment							
At 1 January 2019	–	–	–	–	–	–	–
Provided for the year *(Note 12)*	–	1,581	–	8,537	–	9,201	19,319
Eliminated on disposals	–	(617)	–	–	–	–	(617)
Exchange adjustments	–	(227)	–	(165)	–	(176)	(568)
At 31 December 2019 and 1 January 2020	**–**	**737**	**–**	**8,372**	**–**	**9,025**	**18,134**
Provided for the year *(Note 12)*	**–**	**4,382**	**–**	**20,152**	**–**	**21,720**	**46,254**
Impairment losses recognised	**338,250**	**–**	**121,287**	**45,642**	**624,481**	**117,832**	**1,247,492**
Exchange adjustments	**–**	**1,377**	**–**	**1,775**	**–**	**1,913**	**5,065**
At 31 December 2020	**338,250**	**6,496**	**121,287**	**75,941**	**624,481**	**150,490**	**1,316,945**
Carrying amount							
At 31 December 2019	338,250	12,890	191,338	92,097	985,153	207,542	1,827,270
At 31 December 2020	**–**	**9,169**	**82,373**	**30,998**	**424,117**	**80,024**	**626,681**

The above intangible assets other than goodwill, licenses and trademarks have finite useful lives. Such intangible assets are amortised on a straight-line basis after taking into account their estimated residual values at the following rates per annum:

Technology	20%
Distribution network	10%
Computer software	9%–19%

The licenses and trademarks have a legal life of 5 years and 10 years but are renewable every 5 years and 10 years, respectively, at minimal cost. The Directors are of the opinion that the Group would renew the licenses and trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which support that the licenses and trademarks have no foreseeable limit to the period over which the licenses and trademarked products are expected to generate net cash flows for the Group.

18 INTANGIBLE ASSETS *(Continued)*

As a result, licenses and trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The licenses and trademarks will not be amortised until their useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

On 9 August 2019, the Company acquired 51% of the issued share capital of Mao Hong Information Technology Holding Limited ("Mao Hong") at a total consideration of approximately HK$746,632,000. As a result of purchase price allocation, the Company recognised a goodwill of approximately HK$338,250,000 and other intangible assets of approximately HK$1,535,339,000 from this acquisition during the year ended 31 December 2019.

The Directors consider Mao Hong as a Cash Generating Unit ("CGU") (the "Mao Hong CGU") and the goodwill and other intangible assets were allocated to the Mao Hong CGU. The recoverable amounts of the Mao Hong CGU have been determined by reference to the higher of the value in use and fair value less costs of disposal.

As at 31 December 2020, the recoverable amount of the Mao Hong CGU was determined based on fair value less costs of disposal, with reference to the valuation report prepared by an independent external professional qualified valuer. The fair value less costs of disposal arrived from the Market Approach reflected the market expectations over corresponding industry as the P/S ratio of comparable companies were arrived from market consensus. The key parameters used as at 31 December 2020 include average P/S ratio of the comparable companies of 1.73, the lack of marketability discount ("DLOM") of 20.10%, the control premium of 26.62%, and the actual consolidated revenue of Mao Hong for the year ended 31 December 2020 of approximately HK$291,304,000. The fair value on which the recoverable amount is based on is categorised as Level 3 measurement.

The following table shows the sensitivity analysis prepared by the Directors as at 31 December 2020:

Assumptions	Changes in assumptions	Recoverable amount of goodwill and other intangible assets will increase/(decrease) HK$'000
Average P/S ratio	Increase by 10%	50,479
	Decrease by 10%	(50,479)
DLOM	Increase by 10%	(12,699)
	Decrease by 10%	12,699
Control premium	Increase by 10%	10,612
	Decrease by 10%	(10,612)

As at 31 December 2019, the recoverable amount of the Mao Hong CGU was determined based on the value in use calculations, with reference to the valuation report prepared by an independent external professional qualified valuer. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below.

18 INTANGIBLE ASSETS *(Continued)*

The key parameters used for value in use calculations are as follows:

Average revenue growth rate of Mao Hong between FY2020 and FY2024	11.8%
Gross profit margin of Mao Hong between FY2020 and FY2024	48.6%–50.5%
Net profit margin of Mao Hong between FY2020 and FY2024	25.5%–27.2%
Terminal growth rate	3%
Pre-tax discount rate	18.8%

During the year ended 31 December 2020, based on management's assessment on the recoverable amount of approximately HK$504,791,000 of the Mao Hong CGU, the impairment losses of approximately HK$338,250,000 (2019: nil) and HK$909,242,000 (2019: nil) on goodwill and other intangible assets respectively, were charged to the consolidated statement of profit or loss under "impairment losses of goodwill and other intangible assets".

During the year ended 31 December 2019, management of the Group determined that there is no impairment on the Mao Hong CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of unit to exceed the recoverable amount of the Mao Hong CGU.

19 INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Cost of investments in associates, unlisted	**142,932**	142,932
Accumulated share of post-acquisition profits/losses and other comprehensive income, net of dividends received	**146,427**	182,654
Impairment losses recognised	**(27,558)**	–
	261,801	325,586
Share of results of associates during the year	**22,648**	3,733

As at 31 December 2020, the cost of investments in associates included goodwill of associates of approximately HK$97,184,000 (2019: HK$124,742,000).

(Expressed in Hong Kong dollars)

19 INTERESTS IN ASSOCIATES *(Continued)*

Set out below are the associates of the Group as at 31 December 2020 which, in the opinion of the Directors, are material to the Group and principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 2020	2019	Principal activities
CMW Holding Limited ("CMW Holding")	Limited liability company	Hong Kong	HK$500,000	**45%**	45%	Manufacturing and trading of coatings
Lian Yang Guo Rong Holdings Limited ("Lian Yang Guo Rong") *(Note)*	Limited liability company	Cayman Islands	US$30,750	**30.89%**	30.89%	Provision of information and data services

Note: On 10 September 2019, the Company entered into a share purchase and subscription agreement (the "Lianyang Share Purchase and Subscription Agreement") with FHJL Investment Limited, An Chen New Technology Holding Ltd and Lian Yang Investment Limited ("Lian Yang Investment") (collectively, the "Lianyang Vendors") and Lian Yang Guo Rong, the terms and conditions of the Lianyang Share Purchase and Subscription Agreement are as follows:

(i) the Lianyang Vendors shall as beneficial owners sell, and the Company shall purchase, 3,750 shares of Lian Yang Guo Rong at consideration which shall be satisfied by the allotment and issue of 17,474,735 new ordinary shares by the Company to the Lianyang Vendors at the issue price of HK$2.85 per share; and

(ii) Lian Yang Guo Rong shall allot and issue, and the Company shall subscribe for 5,750 shares at the consideration of RMB69,000,000 (equivalent to approximately HK$76,365,000), which shall be satisfied by the Company in cash. (collectively referred to as "Lianyang Acquisition")

Upon completion of Lianyang Acquisition on 31 December 2019, the Company's equity interest in Lian Yang Guo Rong was 30.89% and Lian Yang Guo Rong became an associate of the Company. On 31 December 2019, the fair value of 17,474,735 new ordinary shares issued by the Company was approximately HK$66,054,000 by reference to the closing price of HK$3.78 per share. Accordingly, the total consideration for Lianyang Acquisition was approximately HK$142,419,000.

The arrangement of the above investments provided the Group with the power to participate in the financial and operating decisions but not control or joint control over those decisions. Under HKAS 28 Investments in Associates and Joint Ventures, these entities were classified as associates and had been accounted for in the consolidated financial statements using equity method for the years ended 31 December 2020 and 2019 respectively.

19 INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs.

(i) CMW Holding

	2020 HK$'000	2019 HK$'000
As at 31 December		
Current assets	449,936	391,536
Non-current assets	41,657	136,359
Current liabilities	(135,480)	(105,837)
Non-current liabilities	(16,764)	(15,638)
Net assets	339,349	406,420
For the year ended 31 December		
Revenue	623,318	619,700
Profit for the year	64,403	8,237
Other comprehensive income/(expense) for the year	20,700	(6,995)
Total comprehensive income for the year	85,103	1,242
The Group's share of results of an associate for the year	28,981	3,707
The Group's share of other comprehensive income/(expense) for the year	9,315	(3,148)
Dividends paid to the Group	(68,479)	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in CMW Holding recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net assets of CMW Holding	339,349	406,420
Proportion of the Group's ownership interest in CMW Holding	45%	45%
Carrying amount of the Group's interest in CMW Holding	152,707	182,890

19 INTERESTS IN ASSOCIATES *(Continued)*

(ii) Lian Yang Guo Rong

	2020 HK$'000	2019 HK$'000
As at 31 December		
Current assets	**58,114**	77,859
Non-current assets	**16,911**	2,011
Current liabilities	**(47,458)**	(27,223)
Net assets	**27,567**	52,647
For the year ended 31 December		
Revenue	**27,410**	–
Loss for the year attributable to owners of the Company	**(20,651)**	(1,135)
Other comprehensive income for the year attributable to owners of the Company	**866**	79
Total comprehensive expense for the year attributable to owners of the Company	**(19,785)**	(1,056)
The Group's share of results of an associate for the year	**(6,379)**	–
The Group's share of other comprehensive income for the year	**268**	–
Dividends paid to the Group	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Lian Yang Guo Rong recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net assets of Lian Yang Guo Rong	**27,567**	52,647
Non-controlling interests	**9,875**	4,580
	37,442	57,227
Proportion of the Group's ownership interest in Lian Yang Guo Rong	**30.89%**	30.89%
Group's share of net assets of Lian Yang Guo Rong	**11,566**	17,677
Goodwill	**124,742**	124,742
Impairment losses recognised	**(27,558)**	–
Carrying amount of the Group's interest in Lian Yang Guo Rong	**108,750**	142,419

For investment in Lian Yang Guo Rong, the recoverable amount of this investment has been determined based on fair value less costs of disposal, with reference to the valuation report prepared by an independent external professional qualified valuer. The fair value less costs of disposal arrived from the Market Approach reflected the market expectations over corresponding industry as the P/S ratio of the comparable companies were arrived from market consensus. The key parameters used as at 31 December 2020 including average P/S ratio of the comparable companies of 5.86, the DLOM of 20.2%, and the forecasted consolidated revenue of Lian Yang Guo Rong for the year ending 31 December 2021 of approximately HK$95,031,000.

Based on management's assessment on the recoverable amount of approximately HK$108,750,000 of Lian Yang Guo Rong, the impairment losses of approximately HK$27,558,000 were charged to consolidated statement of profit or loss under "Impairment losses of interests in associates". The fair value on which the recoverable amount is based on is categorised as Level 3 measurement.

19 INTERESTS IN ASSOCIATES *(Continued)*

(iii) Aggregate information of associates that are not individually material:

	For the year ended 31 December 2020 HK$'000	2019 HK$'000
The Group's share of results of associates for the year	**46**	26
The Group's share of other comprehensive income/(expenses) for the year	**21**	(5)

	As at 31 December 2020 HK$'000	2019 HK$'000
Aggregate carrying amount of the Group's interests in these associates	**344**	277

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Unlisted equity investment	**544**	511

21 DEFERRED TAXATION

The following are the major deferred income tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustments on intangible assets HK$'000	ECL provision of trade and other receivables HK$'000	Total HK$'000
At 1 January 2019	–	–	–
Acquisition of a subsidiary *(Note 32)*	(380,085)	1,024	(379,061)
Credit to profit or loss *(Note 13)*	4,435	434	4,869
Exchange adjustments	6,618	(18)	6,600
At 31 December 2019 and 1 January 2020	**(369,032)**	**1,440**	**(367,592)**
Credit to profit or loss *(Note 13)*	**237,779**	**3,700**	**241,479**
Exchange adjustments	**(23,125)**	**320**	**(22,805)**
At 31 December 2020	**(154,378)**	**5,460**	**(148,918)**

	2020 HK$'000	2019 HK$'000
For presentation purpose:		
Deferred tax assets	**5,460**	1,440
Deferred tax liabilities	**(154,378)**	(369,032)
	(148,918)	(367,592)

21 DEFERRED TAXATION *(Continued)*

As at 31 December 2020, the Group had unused tax losses of approximately HK$25,043,000 (2019: HK$21,566,000) available for offset against future profits. Tax losses of approximately HK$189,000 (2019: HK$566,000) have expired during the year ended 31 December 2020. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unused tax losses at the end of the reporting period will expire on 31 December of the following years:

	2020 **HK$'000**	2019 HK$'000
2020	**–**	418
2021	**34**	298
2022	**9,818**	8,973
2023	**6,489**	6,180
2024	**4,346**	5,697
2025	**4,356**	–
	25,043	21,566

As at 31 December 2020, the Group has other deductible temporary differences of approximately HK$4,168,000 (2019: HK$2,613,000), which are mainly arising from impairment losses of trade receivables. No deferred tax asset has been recognised in relation to such other deductible temporary differences as it is not probable that taxable profit will be available for offset against which the deductible temporary differences can be utilised.

The EIT Law imposes withholding tax upon the distribution of profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-PRC shareholders. As at 31 December 2020, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Company's PRC subsidiaries amounting to approximately HK$90,886,000 (2019: HK$80,487,000), respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22 INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**21,155**	34,627
Work in progress	**6,880**	6,528
Finished goods	**10,310**	4,576
	38,345	45,731

23 TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**189,634**	192,490
Bills receivables	**11,147**	14,977
Less: loss allowance on trade receivables *(Note 39)*	**(23,431)**	(6,274)
Total trade and bills receivables	**177,350**	201,193
Other receivables, deposits and prepayments		
— Trade deposits paid to merchants	**154,250**	31,324
— Receivable from the clearing houses for third-party payment services	**6,047**	299,382
— Other receivables and prepayments	**44,493**	23,983
Total trade and other receivables	**382,140**	555,882

The normal credit period for customers is 30–90 days and all bills receivable mature within a period of 30 days to 180 days. The following is an aging analysis of trade and bills receivables net of loss allowance presented based on the invoice date at the end of the reporting period.

	2020 HK$'000	2019 HK$'000
0–30 days	**32,412**	109,220
31–60 days	**27,297**	25,603
61–90 days	**18,153**	24,878
91–180 days	**20,249**	39,442
Over 180 days	**79,239**	2,050
	177,350	201,193

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$131,764,000 (2019: HK$67,215,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$99,656,000 (2019: HK$8,358,000) has been past due 90 days or more and is not considered as in default because there was no historical default of payments by the respective customers. The Group does not hold any collateral over these balances.

As at 31 December 2020, included in trade receivables, there were trade receivables due from subsidiaries of an associate and a subsidiary of a non-controlling shareholder of approximately HK$311,000 (2019: HK$18,714,000) and approximately HK$4,148,000 (2019: HK$2,642,000) respectively.

As at 31 December 2020, included in other receivables, there were amounts due from a subsidiary of an associate and an associate of approximately HK$13,980,000 (2019: HK$2,830,000) and approximately HK$1,460,000 (2019: HK$1,605,000) respectively. These amounts are unsecured, interest-free and repayable on demand.

Details of impairment assessment of trade and other receivables and movement in the impairment losses on trade and other receivables for the year ended 31 December 2020 are set out in note 39.

24 RESTRICTED BANK DEPOSITS

	2020 HK$'000	2019 HK$'000
Restricted bank deposits comprises:		
Maintained for the purpose of settlements of outstanding payable to merchants when the third-party payment accounts' holders make purchase transactions with respective merchants *(Note)*	**334,379**	409,167
Maintained for merchants as performance guarantee deposits	**11,252**	12,090
Maintained as reserve deposits to secure the Group's use of online business to business payment platforms provided by the banks	**3,220**	1,905
Maintained as reserve deposits to the general risk reserve funds as governed by the PRC government	**1,200**	1,123
	350,051	424,285

Note: These restricted deposits are maintained to fulfil the requirements as per announcement of the People's Bank of China (No. 6 2013) "Measures for the Custody of Clients' Reserves of Payment Institutions" (the "Announcement"). As set out in the Announcement, reserves received from the third-party payment accounts' holders by the Group must be deposited in the special-purpose deposit account as reserve at a reserves bank. The reserves can only be used for payments entrusted by third-party payment accounts' holders. Without approval by the third-party payment accounts' holders, the Group cannot appropriate the reserves for similar purposes or for other purposes, lend the reserves, or use them to provide guarantee for others.

25 BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. As at 31 December 2020, the bank balances carry interest at prevailing market rates of 0.01%–0.35% (2019: 0.01%–0.35%) per annum.

26 TRADE AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**46,415**	49,254
Bills payables	**–**	1,692
Total trade and bills payables	**46,415**	50,946
Accrued staff cost	**16,988**	14,498
Payables to merchants	**85,968**	406,045
Unutilised float funds *(Note)*	**200,058**	247,857
Other payables and accruals	**52,536**	81,942
	401,965	801,288

Note: The balances represented amounts prepaid by the third-party payment accounts' holders to the Group and unutilised at the end of the reporting periods. The Group is required to pay to the merchants from these funds when the third-party payment accounts' holders make purchase transactions with respective merchants. The settlement terms with merchants vary and are dependent on the negotiation between the Group and individual merchants and number of purchase transactions.

The credit period on purchases of goods and service provided from suppliers is 30–180 days (2019: 30–180 days). The following is an aging analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2020 **HK$'000**	2019 HK$'000
0–30 days	**32,679**	33,993
31–60 days	**5,785**	7,158
61–90 days	**928**	1,560
Over 90 days	**7,023**	8,235
	46,415	50,946

As at 31 December 2020, included in trade payables, there were trade payables due to a subsidiary of an associate of approximately HK$7,000 (2019: HK$335,000).

As at 31 December 2019, included in other payables, there were amount due to an associate of approximately HK$45,364,000. The amount is unsecured, interest-free and repayable on demand.

27 LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**11,279**	9,250
Within a period of more than one year but not more than two years	**10,658**	8,975
Within a period of more than two years but not more than five years	**9,123**	10,107
Within a period of more than five years	**1,110**	1,170
	32,170	29,502
Less: Amount due for settlement with one year shown under current liabilities	**(11,279)**	(9,250)
Amount due for settlement after one year shown under non-current liabilities	**20,891**	20,252

28 PROMISSORY NOTES PAYABLE

	First Promissory Note HK$'000	**Second Promissory Note HK$'000**	**Total HK$'000**
At 1 January 2019	–	–	–
Issuance of promissory note *(Note (i))*	530,812	–	530,812
Imputed interest	9,179	–	9,179
Repayment of promissory note	(530,600)	–	(530,600)
At 31 December 2019 and 1 January 2020	**9,391**	**–**	**9,391**
Issuance of promissory note *(Note (ii))*	**–**	**213,995**	**213,995**
Imputed interest	**542**	**14,117**	**14,659**
Repayment of promissory note	**(9,933)**	**(64,533)**	**(74,466)**
At 31 December 2020	**–**	**163,579**	**163,579**

	2020 HK$'000	2019 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**–**	9,391
Non-current liabilities	**163,579**	–
	163,579	9,391

Notes:

(i) On 9 August 2019, the Group issued a promissory note with the principal amount of HK$540,000,000, interest-bearing at rates from 0.25% to 1.25% per annum depending on the repayment date, which will mature on 8 August 2021 (the "First Promissory Note") as part of the consideration to acquire a 51% equity interest in Mao Hong.

(ii) On 27 February 2020, the Group issued a promissory note with principal amount of HK$230,000,000, interest-bearing at rates from 0.25% to 1.25% per annum depending on the repayment date, which will mature on 26 February 2022 (the "Second Promissory Note") as part of the consideration to acquire a 51% equity interest in Mao Hong.

29 BORROWINGS

	2020 HK$'000	2019 HK$'000
Secured		
— Bank borrowing *(Note (i))*	**–**	50,234
— Other borrowing *(Note (ii))*	**500,000**	500,000
	500,000	550,234
Less: Amount due for settlement within one year shown under current liabilities	**(500,000)**	(50,234)
Amount due for settlement after one year shown under non-current liabilities	**–**	500,000

Notes:

(i) As at 31 December 2019, the Group had variable-rate bank borrowing of RMB45,000,000 (equivalent to approximately HK$50,234,000), which was denominated in RMB and carried interest at the rate of 36.85% plus base lending rate stipulated by People's Bank of China. The bank borrowing was secured by the personal guarantees and legal charges on properties held by a non-controlling shareholder of the Company's subsidiary and the equity interest in a non-wholly-owned subsidiary of the Company.

(ii) As at 31 December 2020 and 2019, the Group had fixed-rate other borrowing of HK$500,000,000, which carried an interest rate of 7% and is repayable on 28 November 2021 and is non-recourse to the Company. The other borrowing was secured by charges over a debt owed to the Company by a wholly-owned subsidiary of the Company and over the equity interest of a wholly-owned subsidiary of the Company.

The exposure of the bank and other borrowings and the contractual maturity dates are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**500,000**	50,234
Within a period of more than one year but not exceeding two years	**–**	500,000
	500,000	550,234

30 DERIVATIVE FINANCIAL INSTRUMENTS

On 3 December 2013, the Group entered into a share transfer agreement and a shareholder's agreement (the "Shareholder's Agreement") with Teknos Group Oy, an independent third party (the "Purchaser"). Pursuant to these agreements, the Group agreed to dispose of its 20% equity interest in 萬輝泰克諾斯(常州)化工有限公司 (Manfield Teknos (Changzhou) Chemical Company Limited*) ("Manfield Changzhou") to the Purchaser at a cash consideration of approximately RMB10 million (or equivalent to approximately HK$13 million) reducing the Group's equity interest in Manfield Changzhou to 60% upon completion. In addition, the Group has a right ("Put Option") to dispose of its further 40% equity interests in Manfield Changzhou at a consideration pre-described in the Shareholder's Agreement (the "Price") for a period of five years from the date of the Shareholder's Agreement. According to the Shareholder's Agreement, the Purchaser has a right ("Call Option") to acquire further 40% equity interests in Manfield Changzhou from the Group at the price starting from the sixth years from the date of the Shareholder's Agreement (no definite period set out in the Shareholder's Agreement) if the Group does not exercise its right to dispose of its 40% equity interests in Manfield Changzhou during the first five years period.

At the date of further disposal of 40% equity interests in Manfield Changzhou, the Price is determined at the higher of (i) 40% of the net assets value of Manfield Changzhou plus a premium at the date of such further disposal or (ii) 6 times of earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the period of twelve months immediately before the date of such further disposal; or (iii) RMB20,500,000.

During the year ended 31 December 2018, the Group issued a demand to the Purchaser for the exercise of the Put Option, but no positive response has been received from the Purchaser. In this circumstances, the Group submitted an arbitration application (the "Arbitration") to Shanghai International Economic and Trade Arbitration Commission. In the opinion of the Directors, the Group has exercised its right of the Put Option properly during the year ended 31 December 2018 and as the arbitration process is in its preliminary stage and in view of no positive response has been received from the Purchaser, the Group considered that the fair value of the Put Option as at the date of exercise was insignificant.

As at 31 December 2020, the Arbitration is still in process. There were no movements of the fair value of the Put Option for the years ended 31 December 2020 and 2019.

* English translation of name is for identification purpose only

31 SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	10,000,000,000	100,000
Issued share capital:		
At 1 January 2019	600,000,000	6,000
Issue of shares under subscription agreements *(Note (i))*	45,614,035	456
Issue of shares for acquisition of an associate *(Note (ii))*	17,474,735	175
At 31 December 2019 and 1 January 2020	**663,088,770**	**6,631**
Issue of shares under subscription agreements *(Note (iii))*	**14,288,000**	**143**
At 31 December 2020	**677,376,770**	**6,774**

Notes:

(i) On 17 July 2019, the Company issued a total of 45,614,035 new ordinary shares of HK$0.01 each at the issue price of HK$2.85 per share payable in cash under subscription agreements dated 25 June 2019 and the gross proceeds from such issues amounted to HK$130,000,000. After deducting the professional expense, amount of approximately HK$128,694,000 in excess of par value was credited to share premium.

(ii) On 31 December 2019, the Company issued a total of 17,474,735 new ordinary shares of HK$0.01 each, as consideration for the acquisition of an associate. The closing market price of the Company's shares as at 31 December 2019 as quoted on the Stock Exchange was HK$3.78 per share. After deducting the professional expense, an amount of approximately HK$65,879,000 in excess of par value was credited to share premium. Details are set out in note 19 to the consolidated financial statements.

(iii) On 13 May 2020 and 22 May 2020, the Company issued a total of 14,288,000 new ordinary shares of HK$0.01 each at the issue price of HK$3.50 per share payable in cash under a subscription agreement dated 22 April 2020 and a supplemental agreement dated 14 May 2020 and the gross proceeds from such issues amounted to approximately HK$50,008,000. After deducting related expenses, an amount of approximately HK$49,724,000 in excess of par value was credited to share premium.

32 ACQUISITION OF A SUBSIDIARY

On 2 March 2019, the Group as purchaser, Mao Hong Holding Limited (the "Maohong Vendor") and two guarantors (Mr. Chen Liang and Ms. Chen Zi Jun) entered into sale and purchase agreement pursuant to which the Group shall purchase 51% of the equity interest in Mao Hong for consideration of approximately HK$746,632,000 (the "Maohong Acquisition").

The consideration shall be paid by the Group to the Maohong Vendor as follows:

(i) HK$20,000,000 in cash as deposit;

(ii) HK$540,000,000 by the issuance of the First Promissory Note; and

(iii) the remaining consideration payable by the Group to the Maohong Vendor shall be calculated in accordance with the formula of 2019 audited consolidated net profits after tax but before any minority interests and extraordinary or exceptional items of Mao Hong x 24 x 56.82% x 51% – HK$560,000,000 which shall not exceed HK$230,000,000 and shall be paid by way of the issue of the Second Promissory Note to the Maohong Vendor.

On 9 August 2019, the Maohong Acquisition was completed and this acquisition has been accounted for using the acquisition method.

Mao Hong and its subsidiaries are principally engaged in the provision of third-party payment services.

Fair value of net assets acquired in the Maohong Acquisition, and the goodwill arising, are as follows:

	2019 Fair value HK$'000
Net assets acquired:	
Property, plant and equipment *(Note 16)*	9,377
Right-of-use assets *(Note 17)*	20,370
Intangible assets *(Note 18)*	1,535,339
Financial assets at fair value through profit or loss	520
Deferred tax assets *(Note 21)*	1,024
Inventories	225
Trade and other receivables	472,105
Restricted bank deposits	432,109
Bank balances and cash	39,854
Trade and other payables	(658,037)
Borrowings	(52,557)
Lease liabilities	(21,201)
Tax payable	(2,637)
Deferred tax liabilities *(Note 21)*	(380,085)
Net assets	1,396,406
Non-controlling interests	(988,024)
Goodwill *(Note 18)*	338,250
Total consideration	746,632

32 ACQUISITION OF A SUBSIDIARY *(Continued)*

	2019 Fair value HK$'000
Total consideration satisfied by:	
Cash	20,000
First Promissory Note — promissory notes payable *(Note 28)*	530,812
Second Promissory Note — contingent consideration payable *(Note)*	195,820
	746,632

Note: The fair value of the Second Promissory Note is measured by discounting the total contractual undiscounted cash outflows of approximately HK$222,169,000, being the aggregate of the principal of approximately HK$216,750,000 and the accrued interest thereon of approximately HK$5,419,000, at the discount rate of 4.74% as determined by the Directors with reference to valuation carried out by an independent external professional qualified valuer, as if it is to be paid on in March 2022, being 2 years after the date of issue of the Second Promissory Note.

As at 31 December 2019, the fair value of contingent consideration payable was changed to approximately HK$205,846,000 (see note 39(c) for details).

	2019 HK$'000
Net cash inflow arising on acquisition:	
Cash consideration paid	(20,000)
Cash and cash equivalents acquired	39,854
	19,854

Goodwill arose in the Maohong Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Mao Hong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

33 COMMITMENTS

(a) Capital commitments

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**6,086**	11,048

(b) Other commitments

	2020 HK$'000	2019 HK$'000
Proposed purchase of land contracted for but not provided in the consolidated financial statements *(Note)*	**6,978**	6,556

Note: On 10 September 2012, the Group entered into a sales and purchase agreement with a company owned by Mr. Yuen Shu Wah, a former director of the Company, to acquire two pieces of land ("Parcel 1" and "Parcel 2") located in the PRC at an aggregate cash consideration of approximately RMB3,367,000 (equivalent to approximately HK$3,843,000). Deposit of approximately RMB673,000 (equivalent to approximately HK$831,000) was paid during the year ended 31 December 2012. The remaining balance of approximately RMB2,694,000 (equivalent to approximately HK$3,075,000) was included as commitment as at 31 December 2018.

Pursuant to supplemental agreement made on 31 December 2019, acquisition of Parcel 2 was terminated and deposit of approximately RMB359,000 (equivalent to approximately HK$401,000) will be refunded. The remaining balance of Parcel 1 of approximately RMB1,255,000 was included as commitment as at 31 December 2019 and 2020, equivalent to approximately HK$1,401,000 and HK$1,491,000 respectively. The acquisition of Parcel 1 had not yet been completed up to 31 December 2020.

On 22 May 2015, the Group entered into a sales and purchase agreement with the People's Government of Luoyang Town, Wujin District, Changzhou City to acquire a piece of land located in the PRC at a cash consideration of approximately RMB6,579,000 (equivalent to approximately HK$7,509,000). Deposit of approximately RMB1,961,000 (equivalent to approximately HK$2,340,000) was paid and the remaining balance of approximately RMB4,618,000 was included as commitment as at 31 December 2019 and 2020, equivalent to approximately HK$5,155,000 and approximately HK$5,487,000 respectively. The purchase of the land had not yet been completed up to 31 December 2020.

34 OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with certain subsidiaries of an associate for the following future minimum lease payments under non-cancellable operating leases in respect of rented office and factory premises which fall due as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**4,376**	1,901
In the second to fifth year inclusive	**3,827**	748
	8,203	2,649

Lease was negotiated and monthly rentals were fixed for term of one to two years.

35 RELATED PARTY TRANSACTIONS

During the year, saved as disclosed elsewhere in the consolidated financial statements, the Group also had the following material transactions with its related parties:

Relationship	Nature of transactions	2020 HK$'000	2019 HK$'000
Subsidiaries of an associate	Sales of goods	**51,927**	140,573
	Management fee income	**4,377**	7,195
	Rental income	**3,305**	1,640
	Transportation fee income	**5,666**	2,093
	Purchase of goods	**4,252**	13,701
	Royalty fee income	**12,765**	9,783
	Dividend received	**68,479**	–
	Testing income	**900**	52
A subsidiary of a non-controlling shareholder	Rental income	**376**	658
	Sales of goods	**2,796**	15,337
	Purchase of goods	**268**	467
A non-controlling shareholder	Purchase of goods	**–**	441
	Interest received	**814**	3,440

Compensation of key management personnel

The remuneration of the executive directors of the Company, who represent the key management personnel of the Group, during the year were as follows:

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	**18,342**	14,457
Post-employment benefits	**36**	20
	18,378	14,477

36 RETIREMENT BENEFITS SCHEMES

The Group participates in defined contribution schemes which are registered under the ORSO Scheme and the MPF Scheme established under the MPF Scheme Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group and the employees contributes 5% of relevant payroll costs to the scheme. The maximum monthly contribution by the Group is limited to HK$1,500 per employee.

The ORSO Scheme is funded by monthly contributions by the Group at 7% of the employee's basic salary.

There are no forfeited contributions at the end of the reporting period which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable in future years.

Employees of the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 10% of the employee payroll to such scheme to fund the retirement benefits of the employees.

The pension scheme contributions for the directors and employees, which have been dealt with in the consolidated statement of profit or loss for the year ended 31 December 2020 are approximately HK$5,632,000 (2019: HK$10,577,000). No forfeited contributions have been applied to reduce the retirement benefits scheme contributions for the year.

37 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings HK$'000	Lease liabilities HK$'000	Promissory notes payable HK$'000	Total HK$'000
At 1 January 2019	–	9,136	–	9,136
Acquisition of a subsidiary *(Note 32)*	52,557	21,201	530,812	604,570
Financial cash flows	500,000	(6,599)	(530,600)	(37,199)
New leases entered	–	5,320	–	5,320
Interest expenses	–	919	9,179	10,098
Exchange adjustments	(2,323)	(475)	–	(2,798)
At 31 December 2019 and 1 January 2020	**550,234**	**29,502**	**9,391**	**589,127**
Financial cash flows	**(50,234)**	**(12,226)**	**(74,466)**	**(136,926)**
Issuance of promissory note *(Note 28)*	**–**	**–**	**213,995**	**213,995**
New leases entered	**–**	**15,020**	**–**	**15,020**
Reassessment of leases	**–**	**(3,522)**	**–**	**(3,522)**
Interest expenses	**–**	**1,673**	**14,659**	**16,332**
Exchange adjustments	**–**	**1,723**	**–**	**1,723**
At 31 December 2020	**500,000**	**32,170**	**163,579**	**695,749**

38 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 the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities, promissory notes payable and borrowings disclosed in notes 27, 28 and 29 respectively, net of bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt.

39 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**544**	511
Financial assets at amortised cost	**956,864**	1,398,625
Financial liabilities		
Financial liabilities amortised costs	**1,093,762**	1,376,462
Financial liabilities at fair value through profit or loss	**–**	205,846

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, lease liabilities, borrowings, promissory notes payable and contingent consideration payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Market risk

Currency risk

Several subsidiaries of the Company have foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting period, the carrying amounts of the relevant group entities' foreign currency denominated monetary assets recognised in the consolidated financial statements are as follows:

	2020 HK$'000	2019 HK$'000
United States dollars ("US$")	**3,904**	5,097

39 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

As HK$ is pegged with US$, the Group's currency risk in relation to foreign currency denominated monetary liabilities is expected to be minimal.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowing, promissory notes payable and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowing. The interest rate risk on bank balances is minimal as the fluctuation of the prevailing market interest rate is insignificant.

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the basic interest rate set by People's Bank of China arising from the variable-rate bank borrowing. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

(i) Interest income from financial assets that are measured at amortised cost is as follows:

	2020 **HK$'000**	2019 HK$'000
Financial assets at amortised cost	**6,943**	7,066

(ii) Interest expense on financial liabilities not measured at fair value through profit or loss:

	2020 **HK$'000**	2019 HK$'000
Financial liabilities at amortised cost	**52,780**	16,702

39 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For variable-rate bank borrowing, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period, which amounted approximately HK$Nil (2019: HK$50,234,000) were outstanding for the whole year. A 100 basis points (2019: 100 basis points) increase or decrease in variable-rate bank borrowing are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the post-tax profit for the year ended 31 December 2019 would have decreased by approximately HK$377,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables and deposits, bills receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade receivables individually and/or collectively. Except for trade receivables with significant or credit-impaired balances, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Details of the quantitative disclosures are set out below in this note.

The Group has concentration of credit risk as approximately 24.9% (2019: 18.7%) and approximately 47.8% (2019: 39.5%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

39 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Other receivables, deposits and bills receivables

Management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables, deposits and bills receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of bills receivables.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 96.2% (2019: 94.1%) of the total trade receivables as at 31 December 2020.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
A–B	The counterparty has a low risk of default and does not have any past-due amounts or repays after due date but usually settle after due date for not more than 90 days	Lifetime ECL — not credit-impaired	12-month ECL
C–D	Debtor frequently repays after due dates but has no default history	Lifetime ECL — not credit-impaired	12-month ECL
E	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
F	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Written-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised costs						
Trade receivables	23	N/A	*(Note 2)*	Lifetime ECL	**189,634**	192,490
Other receivables and deposits	23	N/A	*(Note 1)*	12-month ECL	**201,961**	355,185
Bills receivables	23	N/A	*(Note 1)*	12-month ECL	**11,147**	14,977
Restricted bank deposits	24	A1-Ba1	N/A	12-month ECL	**350,051**	424,285
Bank balances	25	A1-Ba1	N/A	12-month ECL	**227,878**	420,058

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2020	**Past due HK$'000**	**Not past due/ No fixed repayment terms HK$'000**	**Total HK$'000**
Other receivables and deposits	**–**	**201,961**	**201,961**
Bills receivables	**–**	**11,147**	**11,147**

2019	Past due HK$'000	Not past due/ No fixed repayment terms HK$'000	Total HK$'000
Other receivables and deposits	–	355,185	355,185
Bills receivables	–	14,977	14,977

During the year ended 31 December 2020, the Group provided approximately HK$1,750,000 (2019: HK$639,000) reversal of impairment allowance for other receivables and deposits and based on the assessment of the management, the ECL on bills receivables is insignificant (2019: insignificant).

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on remaining debtors by internal credit rating collectively.

39 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its debtors. The following table provides information about the exposure to credit risk for trade receivables within lifetime ECL.

Gross carrying amount

	2020		2019	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Grades A–B	**0.41%**	**43,848**	3.07%	190,523
Grades C–D	**15.36%**	**143,039**	15.38%	1,413
Grade E	**46.65%**	**2,747**	36.03%	554
		189,634		192,490

During the year ended 31 December 2020, the Group provided approximately HK$15,803,000 (2019: HK$4,311,000) loss allowance for trade receivables.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL HK$'000
At 1 January 2019	3,559
— Impairment losses recognised	4,311
— Amounts written off	(2,034)
Acquisition of a subsidiary	567
Exchange adjustments	(129)
At 31 December 2019 and 1 January 2020	**6,274**
— Impairment losses recognised	**15,803**
Exchange adjustments	**1,354**
At 31 December 2020	**23,431**

39 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Gross carrying amount (Continued)

The following tables show the movement in 12m ECL that has been recognised for other receivables and deposits.

	12m ECL HK$'000
At 1 January 2019	–
— Impairment losses reversed	(639)
— Amounts written off	(756)
Acquisition of a subsidiary	3,528
Exchange adjustments	(37)
At 31 December 2019 and 1 January 2020	**2,096**
— Impairment losses reversed	**(1,750)**
Exchange adjustments	**31**
At 31 December 2020	**377**

39 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments which has been drawn up based on the undiscounted cash flows of the non-derivative 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

	Weighted average interest rate	Within 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
As at 31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	**–**	**398,013**	**–**	**–**	**–**	**398,013**	**398,013**
Borrowings	**7.00%**	**531,836**	**–**	**–**	**–**	**531,836**	**500,000**
Lease Liabilities	**5.02%**	**12,559**	**11,393**	**9,674**	**2,067**	**35,693**	**32,170**
Promissory notes payable	**3.17%**	**–**	**169,604**	**–**	**–**	**169,604**	**163,579**
		942,408	**180,997**	**9,674**	**2,067**	**1,135,146**	**1,093,762**
As at 31 December 2019							
Non-derivative financial liabilities							
Trade and other payables	–	787,335	–	–	–	787,335	787,335
Borrowings	6.97%	86,938	531,836	–	–	618,774	550,234
Lease Liabilities	5.12%	10,482	9,756	10,639	2,122	32,999	29,502
Promissory notes payable	4.76%	9,414	–	–	–	9,414	9,391
Contingent consideration payable	4.96%	–	–	230,440	–	230,440	205,846
		894,169	541,592	241,079	2,122	1,678,962	1,582,308

(Expressed in Hong Kong dollars)

39 FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management of the Group have set up a valuation committee, which is headed up by the Financial Controller of the Company, to determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified external valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Financial Controller reports the valuation committee's findings to the management of the Company to explain the cause of fluctuations in the fair value.

Certain Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Unlisted equity shares classified as financial assets at fair value through profit or loss	**Unlisted equity shares, HK$544,000**	Unlisted equity shares, HK$511,000	Level 3	Market comparable companies The key inputs are price-earnings ratio of comparable listed companies and a discount for lack of marketability of 6.5%	Discount for lack of marketability *(Note (i))*
Contingent consideration payable classified as financial liabilities at fair value through profit or loss	**-**	Liabilities, HK$205,846,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate of 4.96%	Discount rate of 4.96% and the probability for the adjusted profit of Mao Hong *(Note (ii))*

Notes:

(i) If the estimated discount for lack of marketability used were multiplied by 95% or 105% while all the other variables were held constant, would not have significant decrease/increase in the fair value of the unlisted equity shares classified as financial assets at fair value through profit or loss.

(ii) As at 31 December 2019, if the discount rate used was multiplied by 95% or 105% while all the other variables were held constant, the loss on fair value change of the contingent consideration payable would increase by approximately HK$1,138,000/decrease by approximately HK$1,130,000.

There were no transfers between Level 1 and 2 during both years.

At 31 December 2020, the only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration payable relating to the acquisition of Mao Hong (Note 32). During the year ended 31 December 2020, loss on fair value change amounted to approximately HK$8,149,000 (2019: HK$10,026,000) (Note 8), relating to contingent consideration payable has been recognised in profit or loss.

39 FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss HK$'000	Contingent consideration payable HK$'000
As at 1 January 2019	–	–
Acquisition of a subsidiary	520	195,820
Loss on fair value change	–	10,026
Exchange adjustments	(9)	–
As at 31 December 2019 and 1 January 2020	**511**	**205,846**
Loss on fair value change	**–**	**8,149**
Issuance of promissory note	**–**	**(213,995)**
Exchange adjustments	**33**	**–**
As at 31 December 2020	**544**	**–**

(d) Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statement approximate their fair values.

40 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	**86**	107
Right-of-use assets	**2,872**	4,061
Investment in subsidiaries	**130,174**	130,174
Amounts due from subsidiaries	**36,108**	36,108
	169,240	170,450
Current assets		
Other receivables	**1,167**	1,891
Amounts due from subsidiaries	**271,570**	254,923
Bank balances and cash	**1,165**	701
	273,902	257,515
Current liabilities		
Other payables	**4,669**	4,957
Lease liabilities	**1,189**	1,111
	5,858	6,068
Net current assets	**268,044**	251,447
Total assets less current liabilities	**437,284**	421,897
Non-current liabilities		
Lease liabilities	**2,054**	3,243
Net assets	**435,230**	418,654
Capital and reserves		
Share capital	**6,774**	6,631
Reserves	**428,456**	412,023
Total equity	**435,230**	418,654

40 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Details of the movements in the Company's reserve are set out below:

	Share premium HK$'000	Other reserve *(Note)* HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000
At 1 January 2019	130,806	118,994	5,540	255,340
Loss and total comprehensive expense for the year	–	–	(37,890)	(37,890)
Issue of shares *(Note 31)*	194,573	–	–	194,573
At 31 December 2019 and 1 January 2020	**325,379**	**118,994**	**(32,350)**	**412,023**
Loss and total comprehensive expense for the year	**–**	**–**	**(33,291)**	**(33,291)**
Issue of shares *(Note 31)*	**49,724**	**–**	**–**	**49,724**
At 31 December 2020	**375,103**	**118,994**	**(65,641)**	**428,456**

Note: The other reserve was resulted from group restructuring carried out in prior years.

41 SUBSEQUENT EVENT

On 11 February 2021, the Company entered into a share purchase agreement (the "Lianyang Share Purchase Agreement") with Lian Yang Investment (as the vendor), 上海百派數字科技合夥企業(有限合夥) (Shanghai Bai Pai Digital Science and Technology LLP*) and 上海普恩網路科技合夥企業(有限合夥) (Shanghai Pu En Network Science and Technology LLP*) (collectively, the "Guarantors") and Lian Yang Guo Rong. Lian Yang Investment shall as beneficial owners sell, and the Company shall purchase, 7,172 shares of Lian Yang Guo Rong at consideration which shall be satisfied by the allotment and issue of 69,106,895 new ordinary shares by the Company to Lian Yang Investment at the issue price of HK$1.35 per share. Upon completion, the Company will hold a 54.22% equity interest in Lian Yang Guo Rong and Lian Yang Guo Rong will become a subsidiary of the Company. As at the date of this report, this transaction is still not yet completed.

42 MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, 17,474,735 new ordinary shares was issued at fair value of approximately HK$66,054,000 by reference to the quoted price of HK$3.78 per share for the acquisition of an associate. Details are set out in the note 19.

During the year ended 31 December 2020, part of the consideration for the acquisition of a subsidiary comprised promissory notes payable and contingent consideration payable. Details are set out in the note 32.

* English translation of name is for identification purpose only

(Expressed in Hong Kong dollars)

43 PARTICULARS OF SUBSIDIARIES

Name of subsidiaries	Place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 2020	2019	Principal activities
Rookwood Investments Limited	BVI 18 October 2000	Hong Kong	US$10,000	**100%**	100%	Investment holding
Manfield Coatings Company Limited	Hong Kong 6 June 1986	Hong Kong	HK$1,000 Ordinary shares HK$32,000,000 Non-voting class A shares *(note i)*	**100%**	100%	Investment holding and trading of coatings
Manfield Chemical Limited	Hong Kong 15 August 1989	Hong Kong	HK$10,000	**100%**	100%	Investment holding
Manfield Chemical Investment Limited	Hong Kong 4 October 2017	Hong Kong	HK$1	**100%**	100%	Not yet commenced business
Manfield Coatings Vietnam Company Limited *(Note (vii))*	Vietnam 12 November 2019	Vietnam	US$5,000,000	**100%**	100%	Not yet commenced business
Springfield Chemical Company Limited	Hong Kong 11 March 2005	Hong Kong	HK$1	**100%**	100%	Investment holding
深圳松輝化工有限公司 Shenzhen Pinefield Chemical Enterprises Company Ltd *(Notes (ii) and (iv))*	The PRC 19 June 1990	The PRC	US$5,500,000 Paid-up registered capital	**100%**	100%	Manufacturing of coatings
Manfield Changzhou *(Notes (ii) and (iv))*	The PRC 17 January 2007	The PRC	HK$55,000,000 Paid-up registered capital	**60%**	60%	Manufacturing of coatings
Manfield GZ *(Note (ii))*	The PRC 12 March 2009	The PRC	RMB130,000,000 Paid-up registered capital	**100%**	100%	Manufacturing of coatings
蘇州科思特塗料有限公司 Suzhou Kesite Coatings Company Limited *(Notes (iii) and (iv))*	The PRC 10 June 2010	The PRC	RMB3,000,000 Paid-up registered capital	**100%**	100%	Trading of coatings
福州艾薩商貿有限責任公司 Fuzhou Aisa Trading Company Limited *(Notes (iii) and (iv))*	The PRC 4 April 2014	The PRC	RMB1,000,000 Paid-up registered capital	**65%**	65%	Not yet commenced business
PAD LYGR Limited *(Note (vii))*	BVI 5 November 2019	BVI	US$10,000	**100%**	100%	Investment holding
Pan Asia Data (BVI) Inc. *(Note (vii))*	BVI 8 January 2019	BVI	US$1	**100%**	100%	Investment holding
Pan Asia Data HK Limited *(Note (vii))*	Hong Kong 22 February 2019	Hong Kong	HK$10,000	**100%**	100%	Investment holding
Mao Hong *(Note (vi))*	BVI 18 January 2019	BVI	US$100	**51%**	51%	Investment holding
Mao Hong Information Technology (Hong Kong) Limited *(Note (vi))*	Hong Kong 19 February 2019	Hong Kong	HK$1	**51%**	51%	Provision of information technology services
上海勝江信息科技有限公司 Shanghai Shengjiang Information Technology Company Limited ("Shanghai Shengjiang") *(Notes (ii), (iv) and (vi))*	The PRC 26 July 2019	The PRC	HK$10,000,000 Paid-up registered capital	**51%**	51%	Provision of information technology services
上海懋宏信息科技有限公司 Shanghai Maohong Information Technology Company Limited ("Shanghai Maohong") *(Notes (iii), (iv), (v) and (vi))*	The PRC 29 June 2015	The PRC	RMB27,700,000 Paid-up registered capital	**51%**	51%	Provision of information technology services

43 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 2020	2019	Principal activities
上海得仕控股有限公司 Shanghai Day's Holdings Company Limited *(Notes (iii), (iv) and (vi))*	The PRC 21 January 2009	The PRC	RMB100,000,000 Paid-up registered capital	**51%**	51%	Investment holding
得仕股份有限公司 Day's Enterprise Company Limited *(Notes (iii) and (vi))*	The PRC 25 October 2006	The PRC	RMB150,000,000 Paid-up registered capital	**28.98%**	28.98%	Provision of third-party payment services
利是（上海）信息科技有限公司 Lishi (Shanghai) Information Technology Company Limited *(Notes (iii), (iv) and (vi))*	The PRC 18 October 2017	The PRC	RMB3,100,000 Paid-up registered capital	**28.98%**	28.98%	Provision of employee benefit service
上海得仕網路科技有限公司 Shanghai Day's Information Technology Company Limited *(Notes (iii), (iv) and (vi))*	The PRC 24 April 2008	The PRC	RMB5,000,000 Paid-up registered capital	**28.98%**	28.98%	Provision of payment-related software maintenance service

Notes:

(i) The non-voting class A shares practically carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up.

(ii) The companies are registered in the form of wholly owned foreign enterprises.

(iii) The companies are registered in the form of domestic limited liability company.

(iv) English translated name is for identification purpose only.

(v) Shanghai Maohong is a limited liability company established under the laws of the PRC and under the legal ownership of two independent third parties nominated by the Company (the "VIE Equity Owners"). Shanghai Shengjiang, an indirect subsidiary of the Company, Shanghai Maohong and the VIE Equity Owners entered into certain structured contracts namely, the Exclusive Technology Consulting and Services Agreement, the Exclusive Call Option Agreement, the Equity Interest Pledge Agreements, the Powers of Attorney and the Spousal Consent Letters (together, as "VIE Contracts"). The VIE Contracts provide the Group through Shanghai Shengjiang with effective control over Shanghai Maohong.

(vi) These companies were acquired on 9 August 2019 (Note 32).

(vii) These companies were newly incorporated during the year ended 31 December 2019.

None of the subsidiaries has issued any debt securities at the end of the year.

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

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2020 HK$'000	2019 HK$'000	Profit/(loss) attributed to non-controlling interests 2020 HK$'000	2019 HK$'000	Accumulated non-controlling interests 2020 HK$'000	2019 HK$'000
Mao Hong	BVI	**49%**	49%	**(493,324)**	56,108	**597,126**	1,026,229
Individually immaterial subsidiary with non- controlling interests	N/A	**N/A**	N/A	**(1,859)**	(1,697)	**9,124**	10,395
				(495,183)	54,411	**606,250**	1,036,624

43 PARTICULARS OF SUBSIDIARIES *(Continued)*

Summarised financial information in respect of Mao Hong that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations:

Mao Hong and its subsidiaries	2020 HK$'000	2019 HK$'000
As at 31 December		
Current assets	**707,323**	1,067,048
Non-current assets	**648,639**	1,516,681
Current liabilities	**(346,744)**	(747,599)
Non-current liabilities	**(160,362)**	(385,676)
Net assets of Mao Hong	**848,856**	1,450,454
Equity attributable to:		
— Owners of the Company	**251,730**	424,225
— Non-controlling interest	**597,126**	1,026,229
	848,856	1,450,454
For the year ended 31 December		
Revenue	**291,303**	295,674
Expenses	**(985,558)**	(215,393)
Profit for the year	**(694,255)**	80,281
Profit for the year attributable to:		
— Owners of the Company	**(200,931)**	24,173
— Non-controlling interests	**(493,324)**	56,108
	(694,255)	80,281
Other comprehensive expense for the year attributable to:		
— Owners of the Company	**28,438**	(8,331)
— Non-controlling interests	**64,221**	(17,902)
	92,659	(26,233)
Net cash inflow from operating activities	**(75,730)**	195,675
Net cash inflow from investing activities	**6,241**	3,963
Net cash outflow from financing activities	**(57,282)**	(8,983)
Net cash inflow	**(126,771)**	190,655

FINANCIAL SUMMARY

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**622,068**	730,699	426,346	374,161	396,172
(Loss)/profit for the year attributable to					
Owners of the Company	**(627,682)**	(23,309)	8,563	6,105	41,603
Non-controlling interests	**(495,183)**	54,411	(1,195)	(2,914)	404
	(1,122,865)	31,102	7,368	3,191	42,007

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**2,103,179**	3,772,833	670,234	710,611	687,025
Total liabilities	**(1,261,926)**	(1,980,824)	(56,254)	(55,249)	(49,755)
	841,253	1,792,009	613,980	655,362	637,270
Equity attributable to owners of the Company	**235,003**	755,385	601,650	641,229	621,234
Non-controlling interests	**606,250**	1,036,624	12,330	14,133	16,036
	841,253	1,792,009	613,980	655,362	637,270