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

2021

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Gu Zhongli *(Chairman)*
Ms. Liu Rong Rong (resigned on 8 April 2022)
Mr. Charles Simon
Mr. Jin Peiyi

Non-Executive Director

Dr. Dong Liuhuan (appointed on 4 February 2022)

Independent Non-Executive Directors

Mr. Li Gong
Dr. Shi Ping
Ms. Xu Yanqiong

AUDIT COMMITTEE

Dr. Shi Ping *(Chairman)*
Mr. Li Gong
Ms. Xu Yanqiong

NOMINATION COMMITTEE

Mr. Li Gong *(Chairman)*
Mr. Gu Zhongli
Ms. Xu Yanqiong

REMUNERATION COMMITTEE

Ms. Xu Yanqiong *(Chairman)*
Mr. Gu Zhongli
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 Tian Yuan Law Firm
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

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman
KY1-1002
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1707–08, 17/F,
New World Tower 1,
16–18 Queen's Road Central,
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman
KY1-1002
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1561

WEBSITE

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

Chairman's Statement

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 performance of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 in retrospect and put the Group's prospect in the future into perspective.

In 2021, the Chinese government actively enhanced the quality and efficiency of financial services, prevented and resolved risks in key areas, and continued to deepen reform and opening up, so as to maintain a good trend of stable operation. Moreover, with effective control of the COVID pandemic, China's domestic demand and consumption shall gradually recover, and the role of consumer finance in stimulating domestic demand, promoting consumption upgrading, and serving the real economy will become more obvious. The integration of financial technology and consumer finance has also significantly improved the availability and inclusiveness of financial services. In 2021, the scale of personal loans in China grew steadily, and the domestic consumer financial market had huge room for development. Commercial banks have paid more attention strategically to personal financial business, and have put forward the development strategy of large and dominant retail banks, and actively promoted the transformation of large retail businesses. Certain regional banks leveraged on their consumer finance licenses to break through the restrictions of setting up businesses in other territories, thus opening up new sources for profitability.

Meanwhile, when responding to the impact of the pandemic, the financial industry has developed a deeper understanding of the application value of information technology, and the digital transformation of the financial industry has shown an accelerating trend under the impact of the pandemic. At the same time, under the influence of various factors such as policies, markets and technologies, the development environment and the ecosystem of domestic and foreign financial technology are undergoing profound changes.

The remarkable development of personal credit, especially the consumer credit business, has significantly boosted the demand for AI-enabled digital risk management in the personal credit life cycle. Thus, with the promulgation of a series of regulations such as the Cybersecurity Law, the Data Security Law, the Personal Information Protection Law, and the Measures for the Administration of Credit Information Business, the compliance threshold of the big data industry has been further clarified, casting an immediate and far-reaching impact on the market landscape of the digital risk management industry.

Lian Yang Guo Rong Holdings Limited ("LYGR") with its onshore operation subsidiary as the Group's flagship in big data analytics ("OPCO") has greatly benefited from this round of market space and regulatory reform opportunities. Firmly establishing, in full compliance with the ever-changing regulatory ecosystem in the Chinese cyberspace, and building upon its unique access authorization and right to use of personal online behavioral profiles in China for financial technologies application, the OPCO has successfully established its highly competitive and fully compliant data aggregation, connectivity and integration and associated enabling digital technologies. At present, it has successfully established an independent SaaS/PaaS cloud platform for applications of AI-enabled algorithmic solutions to retail finance with its business focus on personal credit and insurance. Since 2021, the OPCO has achieved rapid growth in both customer and revenue, where it not only successfully won a bid with one of the world's largest banks in March 2021, thus laying down the milestone for the Company's business development and growth, but also acquired a large number of core revenue customers, including China's leading banks, licensed consumer finance companies and large-scale personal credit digitalization promoters, etc., thus realizing the gratifying result of an annual cumulative revenue of over RMB180 million for the OPCO.

LYGR has become an 54.22%-owned indirect subsidiary of the Company in 2021 (as disclosed in the announcement dated 2 June 2021) and the OPCO's solid operational and financial performance also confirmed our commitment to customer values and focus on technological innovations. Looking forward, we will continue to strengthen product research and customer expansion to reinforce our product competitiveness and enhance our market share. The Company is confident that it will continue to further establish itself in an anchor position in the general trend of compliance growth, and will continue to enhance business revenue and brand influence, so as to establish industry benchmarks, and enable strategic transformation and development of China's financial digitalization.

Chairman's Statement

On behalf of the Board, I would like to take this opportunity to extend my appreciations to our staff and management team for their outstanding contributions to the Company, and to all shareholders for their unwavering support and trust during this challenging period. We will continue to leverage on the power of technology to develop and optimize our products and services, so as to create value for our customers and shareholders.

Gu Zhongli
Chairman

Hong Kong, 28 March 2022

Management Discussion and Analysis

RESULTS AND FINANCIAL OVERVIEW

Pan Asia Data Holdings Inc. (the "Company") and its subsidiaries (together the "Group") had a consolidated revenue of approximately HK$608,158,000 (2020: HK$622,068,000) for the year ended 31 December 2021. This represented a decrease of approximately 2.2% compared with that for the previous year mainly due to significant decreases in the business activities of Group's third-party payment services segment which was partly offset with revenue from the new business segment of big data services, commenced in June 2021.

The Group generated revenue from provision of big data services of approximately HK$172,835,000 (2020: Nil), provision of third-party payment services of approximately HK$26,729,000 (2020: HK$291,304,000) and manufacturing and trading of coatings of approximately HK$408,594,000 (2020: HK$330,764,000) for the year ended 31 December 2021.

Loss attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK$238,682,000 (2020: HK$627,682,000), mainly attributable to (i) substantial impairment losses on the Group's intangible assets, including goodwill; (ii) increases in distribution and selling expenses, administrative expenses and research and development expenses.

Loss per share for the year ended 31 December 2021 was approximately HK33.0 cents (2020: HK93.4 cents).

The Group's net asset value per share attributable to owners of the Company as at 31 December 2021 was approximately HK$0.3 (2020: HK$0.3).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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, 1 June 2022. To determine eligibility to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, 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, 26 May 2022.

BUSINESS REVIEW

Big Data Business

Lian Yang Guo Rong Holdings Limited ("LYGR"), a subsidiary of the Company, and its subsidiaries (the "LYGR 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 ("Big Data Services Segment"). The LYGR Group offers 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 with a dedicated entrepreneurial approach to market needs through relentless innovation and dedicated execution 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.

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 LYGR. Under that agreement, Lian Yang Investment agreed as beneficial owner to sell, and the Company agreed to purchase, 7,172 shares of LYGR at a consideration of approximately HK$93,294,000 which was 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.

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

This acquisition of control of LYGR Group was completed on 2 June 2021 (the "Completion Date") and it is classified as investment in subsidiaries. During the year ended 31 December 2021, LYGR Group significantly expanded its customer reach among PRC banks and licensed consumer finance companies as well as top-tier internet finance companies. LYGR Group has achieved rapid growth in both customer and revenue, where it not only successfully won a bid with one of the world's largest banks in March 2021, thus laying down the milestone for the Company's business development and growth, but also acquired a large number of core revenue customers, including China's leading banks, licensed consumer finance companies and large-scale personal credit digitalization promoters, etc.. The Big Data Services Segment contributed revenue of approximately HK$172,835,000 (2020: Nil) and segment profit of approximately HK$17,664,000 (2020: Nil) to the Group from the Completion Date to 31 December 2021.

Third-Party Payment Services Business

Day's Enterprise Company Limited* (得仕股份有限公司) ("Days Services"), a member of the Group and a non-wholly owned subsidiary of the Company, operates 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 (the "Third-Party Payment Services Segment").

The Third-Party Payment Services Segment contributed revenue of approximately HK$26,729,000 (2020: HK$291,304,000), which represented a decrease of approximately 90.8%, and segment loss of approximately HK$691,419,000 (2020: HK$1,256,897,000) to the Group for the year ended 31 December 2021.

During the year ended 31 December 2021, there was a significant decrease in the business activities of the Group's Third-Party Payment Services Segment. The third-party payment transaction volume processed for the year ended 31 December 2021 decreased by approximately 90.4% as compared to that of the corresponding period in 2020. The significant decrease in business activities happened in the second half of 2020 due to (i) the continuously increased scrutiny and much more stringent rule enforcement by the regulatory authorities, (ii) the intensifying competition among industry participants and (iii) an already highly polarized marketplace worsened by the imminent entry of foreign multinational players. The Group had initiated business transformation and tried to materialize new products and acquire new customers for this business segment, but the result in 2021 was not satisfactory.

Days Services holds a license issued by the People's Bank of China ("PBOC") authorising the provision of third-party payment services in the PRC (the "Payment License") which expired on 28 August 2021. An application had been made for a renewal of the Payment License. On 29 August 2021, Days Services was informed that the PBOC had decided to suspend the review process pending further clarification and/or verification of certain information in relation to Days Services suitability to continue to be a licensee, and will resume the review process of the renewal afterwards. In the meantime, Days Services has obtained confirmation from the PBOC that Days Services is permitted to conduct its business as usual. The management of the Group concluded that there was indication for impairment and conducted impairment assessment on carrying amounts of certain cash-generating units within the Third-Party Payment Services Segment. Based on the result of the assessment, the Group recognised impairment loss of approximately HK$631,594,000 (2020: HK$1,247,492,000) on goodwill and other intangible assets, for the year ended 31 December 2021 under "impairment losses of goodwill and other intangible assets". All intangible assets (including goodwill) in relation to the Third-Party Payment Services Segment had been fully written off as at 31 December 2021.

The Company will continue to monitor the situation and updates will be announced as soon as further material information becomes available. In view of the deteriorating operating and market conditions and the negative contributions derived from the Third-Party Payment Services Segment over the past year, the Company is also considering other available options, including but not limited to, a disposal of its entire interest in this segment.

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Management Discussion and Analysis

Coatings Business

During the year ended 31 December 2021, due to the recovery of the production for the coatings business, revenue for the coatings business increased to approximately HK$408,594,000 (2020: HK$330,764,000). This represented an increase of approximately 23.5% compared with that for the previous year. Due to labour costs as well as raw materials cost uprise for the year, the segment profit for the coatings business decreased to approximately HK$43,992,000 (2020: HK$57,727,000) for the year ended 31 December 2021.

During the year ended 31 December 2021, the Group's share of profit of Cashew Manfield Holding Limited (formerly known as CMW Holding Limited), an associate of the Company, amounted to approximately HK$24,515,000 (2020: HK$28,981,000). Its profit decreased was primarily due to labour costs as well as raw materials cost uprise for the year.

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$50.5 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 2021, the Group's actual investment in the Vietnam project amounted to approximately HK$50.5 million.

Overall Performance

For the year ended 31 December 2021, the consolidated gross profit and gross profit margin of the Group increased to approximately HK$190,489,000 (2020: HK$136,756,000) and approximately 31.3% (2020: 22.0%) respectively mainly due to the new business segment of big data service, in 2021, which has a higher gross profit margin than the business segments of third-party payment services and coatings.

Other gains of the Group amounted to approximately HK$5,223,000 (2020: other losses of approximately HK$1,465,000) for the year ended 31 December 2021. This was primarily due to a gain on step acquisition of a subsidiary of approximately HK$3,697,000 during the year ended 31 December 2021.

Distribution and selling expenses of the Group increased to approximately HK$58,136,000 (2020: HK$52,983,000) for the year ended 31 December 2021, mainly due to an increment of expenses from Big Data Services Segment, commenced in June 2021.

Administrative expenses of the Group increased to approximately HK$216,494,000 (2020: HK$136,447,000) for the year ended 31 December 2021. The increase was mainly attributable to an increment in expenses of approximately HK$50,907,000 from the Big Data Services Segment, commenced in June 2021; and increase in share-based payment of approximately HK$25,752,000.

Research and development expenses of the Group increased to approximately HK$67,579,000 (2020: HK$16,265,000) for the year ended 31 December 2021, mainly due to an increment of expenses from Big Data Services Segment, commenced in June 2021.

Finance costs of the Group decreased to approximately HK$46,519,000 (2020: HK$52,780,000) for the year ended 31 December 2021, mainly due to the decrease in remaining principal amount of promissory notes payable.

For the year ended 31 December 2021, the Group recognised an income tax credit of approximately HK$162,072,000 (2020: HK$233,342,000), which mainly represented a reversal of deferred tax liabilities in respect of fair value adjustments on goodwill and other intangible assets of approximately HK$158,570,000 (2020: HK$237,779,000).

Others

In June 2021, the Group received an arbitral award issued by the Shanghai International Economic and Trade Arbitration Commission dated 18 June 2021 in relation to the arbitration proceedings for the intended exercise of its right to dispose of a 40% 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").

The overall effect of the arbitral award, after set off, is that Teknos Group Oy, the 40% minority shareholder of Manfield Changzhou, was required to pay the Group a sum of RMB133,892.09 within 15 days of the effective date of the arbitral award, but the shareholdings of both parties in Manfield Changzhou remain unchanged.

Subsequent to the issue of the arbitral award, after set off, is that Teknos Group Oy sought to assert a claim that the Group is bound to repurchase the 40% equity interest owned by Teknos Group Oy for the sum of HK$32,830,324 and sought to assert a set off against the payment it was ordered to pay to the Group. Based on the legal advice from its PRC counsel, the Group is of the view that Teknos Group Oy's claims and assertions have no merit. The payment had not been received as at 31 December 2021.

On 6 August 2021, the Company entered into six subscription agreements with certain subscribers, being independent third parties to the Group, pursuant to which the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue a total of 15,000,000 new ordinary shares at a price of HK$2.00 per subscription share (the "Subscription"). On 27 August 2021, an aggregate of 15,000,000 shares were allotted and issued by the Company to the subscribers at the subscription price of HK$2.00 per share paid in cash. The net subscription price was approximately HK$1.90 per share. The closing price of the Company's shares on 27 August 2021 was HK$2.19 per share. The gross proceeds raised were approximately HK$30.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK$28.5 million, which were 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 6 August 2021 and 10 August 2021. As at the date of this annual report, all proceeds from the Subscription have been utilised as intended.

On 22 December 2021, the Company issued convertible bonds in an aggregate principal amount of HK$46,000,000 in Hong Kong with a coupon rate of 6.0% per annum and a maturity of 18 months, attached to which there is an option of investors to convert the whole or any part thereof into new ordinary shares of HK$0.01 each in the share capital of the Company (the "Share(s)") at the conversion price of HK$2.40 per Share (the "Placing"). The net issue price was approximately HK$2.35 per conversion share. The closing price of the Company's share on 22 December 2021 were HK$1.89 per share. The gross proceeds raised were approximately HK$46.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK$44.9 million, which were intended to be used for the Group's development of related business and general working capital purposes. Details of the Placing were disclosed in the Company's announcements dated 29 November 2021 and 22 December 2021. As at the date of this annual report, all proceeds from the Placing have been utilised as intended.

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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 2021 are set out as follows:

Use	Revised allocation HK$ million	Utilisation as at 31 December 2021 HK$ million	Remaining balance after revised allocation HK$ million	Expected timeline for the intended use
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	31.6	1.5 *(Note)*	End of 2023
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 *(Note)*	End of 2022
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	9.5	–	
General working capital of Vietnam operation	22.5	22.5	–	
	119.9	117.0	2.9	

Note: The net proceeds are unutilized due to the delay in completion of the acquisition of certain land use rights (the "Land Acquisition") as additional time is required for compliance with necessary registration and approval procedures. In accordance with the land use rights transfer agreement (the "Land Acquisition Agreement"), Zengcheng Fuheyuan Nongzhuang Limited* (增城市福和園農莊有限公司) (the "Vendor") is required to handle such registration and approval procedures. As disclosed in the announcement of the Company dated 4 January 2022, the Vendor had failed to complete the registration and approval procedures and obtain the necessary approvals and permits for the Land Acquisition by 31 December 2021 in breach of the Land Acquisition Agreement, including failure to procure completion of registration procedures in connection with Certificate for the Use of Stated-owned Land (《國有土地使用證》), Land Use Permit (《建設用地規劃許可證》) and various other approvals and permits. Upon completion of such acquisition, the revised allocated proceeds of approximately HK$1.4 million for partial settlement of the purchase price of the land for phase two of construction of the Springfield production facilities will be fully utilized. Phase two of construction of the Springfield production facilities will commence only after completion of acquisition of the land use rights of and it is expected to take approximately one year to complete. Therefore, it is currently expected that the unutilized balance of approximately HK$1.5 million will be fully utilized approximately one year after completion of the said acquisition.

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.

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Management Discussion and Analysis

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

As at 31 December 2021, the Group's non-current assets of approximately HK$815,432,000 (2020: HK$1,104,740,000) consisted of property, plant and equipment of approximately HK$169,033,000 (2020: HK$134,082,000), right-of-use assets of approximately HK$80,772,000 (2020: HK$73,273,000), intangible assets of approximately HK$376,292,000 (2020: HK$626,681,000), interests in associates of approximately HK$168,068,000 (2020: HK$261,801,000), financial assets at fair value through profit or loss of nil (2020: HK$544,000), deferred tax assets of approximately HK$18,294,000 (2020: HK$5,460,000) and deposits paid for non-current assets of approximately HK$2,964,000 (2020: HK$2,899,000). These non-current assets are principally financed by the shareholders' funds and borrowings of the Group. As at 31 December 2021, the Group's net current assets amounted to approximately HK$354,157,000 (2020: HK$75,361,000).

As at 31 December 2021, the Group had total indebtedness of approximately HK$752,950,000 (2020: HK$695,749,000) which comprised borrowings, promissory notes payable, convertible bonds and lease liabilities of approximately HK$519,033,000 (2020: HK$500,000,000), HK$149,303,000 (2020: HK$163,579,000)), HK$45,163,000 (2020: nil) and HK$39,451,000 (2020: HK$32,170,000), respectively.

As at 31 December 2021, all the borrowings of the Group, except for an amount equivalent to approximately HK$8,559,000 (2020: nil) which was denominated in Renminbi, were denominated in Hong Kong dollars. As at 31 December 2021 and 31 December 2020, all borrowings carried fixed interest rates. As at 31 December 2021, the promissory notes payable bear interest from 0.25% to 1.25% (2020: 0.25% to 1.25%) per annum and were denominated in Hong Kong dollars. As at 31 December 2021, the convertible bonds bear interest of 6% (2020: nil) per annum and were denominated in Hong Kong dollars. Interest rates for all leases are fixed on the contract dates. Other borrowing of HK$500,000,000 (2020: HK$500,000,000) is non-recourse to the Company but is secured by charges over assets of the Company.

As at 31 December 2021, out of the total borrowings, approximately HK$19,033,000 (2020: HK$500,000,000) was repayable within one year and HK$500,000,000 (2020: nil) 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 2021, the outstanding principal amount of the promissory notes payable was approximately HK$146,385,000 (2020: HK$165,467,000).

As at 31 December 2021, the gearing ratio of the Group was approximately 135.5% (2020: 82.7%), calculated by dividing total debts (which debt represents the sum of borrowings, promissory notes payable, convertible bonds 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 52.8% (2020: 14.0%) as at 31 December 2021. The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2021 was approximately 1.6 times (2020: 1.1 times).

As at 31 December 2021, 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 closely monitors its foreign exchange exposure and considers hedging significant currency exposure should the need arise.

As at 31 December 2021, the Group had capital commitments contracted for but not provided — acquisition of property, plant and equipment of approximately HK$2,768,000 (2020: HK$6,086,000) and other commitments contracted for but not provided — proposed purchase of land of approximately HK$7,183,000 (2020: HK$6,978,000).

As at 31 December 2021 and 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 2021 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 826 (2020: 794) employees as at 31 December 2021. 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 ASSESSMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

Mao Hong Information Technology Holding Limited ("Mao Hong"), a non-wholly owned subsidiary of the Company, and its subsidiaries ("Mao Hong Group"), including Days Services, 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. The net effect (net of a deferred tax credit of approximately HK$227,310,000) to the consolidated statement of profit or loss was approximately HK$1,020,182,000.

Days Services holds the Payment License issued by the PBOC which expired on 28 August 2021. An application had been made for a renewal of the Payment License on 29 August 2021, Days Services was informed that the PBOC had decided to suspend the review process pending further clarification and/or verification of certain information in relation to Days Services' suitability to continue to be a licensee, and will resume the review process of the renewal afterwards. In the meantime, Days Services has obtained confirmation from the PBOC that Days Services is permitted to conduct its business as usual in order to avoid any undue disruptions to its customers and the financial market. Hence, the further impairment losses of intangible assets relation to Mao Hong CGU amounting to approximately HK$631,594,000 was recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2021. The net effect (net of a deferred tax credit of approximately HK$156,063,000) to the consolidated statement of profit or loss was approximately HK$475,531,000.

As at 31 December 2021, all intangible assets (including goodwill) in relation to Mao Hong CGU had been fully written off.

LYGR CGU

On 11 February 2021, the Group entered into a sale and purchase agreement with a shareholder of LYGR, pursuant to which the Group agreed to purchase 23.33% of the equity interest in LYGR for a consideration of approximately HK$93,294,000. Upon the completion date of 2 June 2021, LYGR became a 54.22% indirectly owned subsidiary of the Company. As a result of purchase price allocation, the Group recognised a goodwill of approximately HK$114,545,000 and other intangible assets of approximately HK$259,875,000 from this acquisition during the year ended 31 December 2021. The Directors consider LYGR as a CGU (the "LYGR CGU") and the goodwill and other intangible assets were allocated to the LYGR CGU.

In assessing and evaluating the impairment of LYGR's goodwill and other intangible assets, the Company engaged an independent external professional qualified valuer (the "Valuer") to conduct a valuation of the fair value of the LYGR Group as at 31 December 2021. 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 the LYGR Group, the Company and the Valuer adopted both an income approach, specifically the discounted cash flow method to derive the value in use of the LYGR Group, and a market approach, specifically the comparable company method, to derive the fair value of LYGR as at 31 December 2021 (the "2021 Impairment Valuation").

Key assumptions adopted in income approach for the 2021 Impairment Valuation include (1) the average revenue growth rate of the LYGR Group between the Financial Year ("FY") of 2022 and FY2026 of approximately 65.9%; (2) gross profit margin of the LYGR Group between FY2022 and FY2026, ranging from approximately 67.8% to 72.1%; (3) net profit margin of the LYGR Group between FY2022 and FY2026, ranging from approximately 6.5% to 16.8%; (4) terminal growth rate of 2.0%; and (5) pre-tax discount rate of 20.0%.

Key assumptions adopted in market approach include (1) average Price/Sales ("P/S ratio") of the comparable companies of approximately 5.88, (2) discount for lack of marketability ("DLOM") of approximately 20.20%, (3) a control premium of approximately 27.00%, and (4) the actual consolidated revenue of LYGR for the year ended 31 December 2021 of approximately HK$223,486,000.

Based on the 2021 Impairment Valuation, the recoverable amount of the LYGR CGU, which was determined based on value in use, is higher than the carrying amount. The Company therefore did not record any impairment of LYGR's goodwill and other intangible assets during the year ended 31 December 2021.

In the review of methods and assumptions adopted by the Valuer for the 2021 Impairment Valuation of LYGR'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 big data services and related business worldwide 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 the Valuer on a best effort basis and eight comparable companies were identified.

The information of the comparable companies is publicly available, and based on the Selection Criteria, they are comparable to LYGR 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 the Valuer and understands that:

- DLOM reflects the fact that there is no ready market for shares in a closely held company. As such, the Valuer has assessed the DLOM by making reference to “Stout Restricted Stock Study: Companion Guide (2019 Edition)”. The overall DLOM is approximately 20.20%.

- 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 (2018Q2)” 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 27.63%. An average control premium of approximately 27.00% is considered appropriate and suitable for this valuation based on the Valuer’s professional judgement.

- the Valuer also took into account the consolidated revenue of the LYGR Group for the year ended 31 December 2021 for assessing the LYGR Group’s fair value.

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 the Valuer primarily took into account the financial budget and forecast prepared by management of the LYGR Group when adopting the income approach for valuation, with reference to (1) the average revenue growth rate of the LYGR Group between FY2022 and FY2026; (2) gross profit margin of the LYGR Group between FY2022 and FY2026; (3) net profit margin of the LYGR Group between FY2022 and FY2026; (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 the LYGR Group assessed and estimated certain key performance indicators including consumption volume of big data services and an expected revenue based on the fees per unit charged by the LYGR 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 the LYGR 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 the LYGR Group’s financial budgets and forecast.

Management Discussion and Analysis

PROSPECTS AND STRATEGIES

In 2021, the Chinese government actively enhanced the quality and efficiency of financial services, prevented and resolved risks in key areas, and continued to deepen reform and opening up, so as to maintain a good trend of stable operation. Moreover, with effective control of the COVID pandemic, China's domestic demand and consumption shall gradually recover, and the role of consumer finance in stimulating domestic demand, promoting consumption upgrading, and serving the real economy will become more obvious. The Group fully grasped market opportunities in the big data analysis business and achieved extremely positive results in the market.

Remarkable Development of Big Data Analysis Business by Compliance and Technology

In 2021, the scale of personal loans in China grew steadily, and the domestic consumer financial market had huge room for development. Commercial banks have paid more attention strategically to personal financial business, and have put forward the development strategy of large and dominant retail banks, and actively promoted the transformation of large retail businesses. Certain regional banks leveraged on their consumer finance licenses to break through the restrictions of setting up businesses in other territories, thus opening up new sources for profitability.

Meanwhile, when responding to the impact of the pandemic, the financial industry has developed a deeper understanding of the application value of information technology, and the digital transformation of the financial industry has shown an accelerating trend under the impact of the pandemic. Under the influence of various factors such as policies, markets and technologies, the development environment and the ecosystem of domestic and foreign financial technology are undergoing profound changes.

The remarkable development of personal credit, especially the consumer credit business, has significantly boosted the demand for AI-enabled digital risk management in the personal credit life cycle. Also, with the promulgation of a series of regulations such as the Cybersecurity Law, the Data Security Law, the Personal Information Protection Law, and the Measures for the Administration of Credit Information Business, the compliance threshold of the big data industry has been further clarified, casting an immediate and far-reaching impact on the market landscape of the digital risk management industry.

LYGR Group has greatly benefited from this round of market space and regulatory reform opportunities. On 2 June 2021, the Group announced the completion of the acquisition of 54.22% indirect equity interest in the onshore operation company. Firmly establishing, in full compliance with the ever-changing regulatory ecosystem in the Chinese cyberspace, and building upon its unique access authorization and right to use of personal online behavioral profiles in China for financial technologies application, the onshore operation company has successfully established its highly competitive and fully compliant data aggregation, connectivity and integration and associated enabling digital technologies. At present, it has successfully established an independent SaaS/PaaS cloud platform for applications of AI-enabled algorithmic solutions to retail finance with its business focus on personal credit and insurance. Since 2021, the operation company has achieved stable and rapid growth in both customer and revenue, where it not only successfully won a bid with one of the world's largest banks in March 2021, thus laying down the milestone for the Company's business development and growth, but also acquired a large number of core revenue customers, including China's leading banks, licensed consumer finance companies and large-scale personal credit digitalization promoters, etc., thus realizing the gratifying result of an annual cumulative revenue of over RMB180 million for the operation company.

The solid operational and financial performance of the big data analytics business segment also confirmed our commitment to customer values and focus on technological innovations. Looking forward, we will continue to strengthen product research and customer expansion to reinforce our product competitiveness and enhance our market share. We are confident that it will continue to further establish itself in an anchor position in the general trend of compliance growth, and will continue to enhance business revenue and brand influence, so as to establish industry benchmarks, and enable strategic transformation and development of China's financial digitalization.

Management Discussion and Analysis

Given that the macro-political and economic situation remains pessimistic, combined with the continued spread of COVID-19, 2022 will still be a very difficult period for the world. Benefiting from the layout of the big data analysis business segment in the early stage, the Group has successfully built an independent SaaS/PaaS cloud platform for application of AI-enabled algorithm solutions to retail finance, and regularly signed contracts to serve tens of partnering customers such as leading banks and licensed consumer finance companies as well as large-scale personal credit digitization promoters in China, laying a solid foundation for 2022 performance.

Meanwhile, 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

Mr. Gu Zhong Li ("Mr. Gu"), aged 35, was appointed as an executive director of the Company on 15 July 2021 and chairman of the Company on 30 July 2021. Mr. Gu obtained a bachelor's degree in Applied Math from Zhejiang University in 2009 and a master's degree in International Management from Bocconi University in 2012. Mr. Gu has over 9 years' experience in the finance industry. Mr. Gu joined Shanghai Rural Commercial Bank from 2012 to 2016. Mr. Gu won the title of Shanghai Young Expert* (上海市青年崗位能手) in 2017. From 2017 to 2018, Mr. Gu worked at Orient Hongtai (Shanghai) Investment Management Co., Ltd* (東方弘泰(上海)投資管理有限公司) and at Orient Securities Capital Investment Co., Ltd. From 2018 to 2020, Mr. Gu co-founded Beijing Xiyi Assets Management Co., Ltd. as the Managing Director, taking charge of multiple investments in web-security and health-care industries. In June 2020, Mr. Gu joined Lian Yang Guo Rong (Beijing) Science and Technology Co., Ltd.* (聯洋國融(北京)科技有限公司), a subsidiary of the Company as Vice President and Chief Financial Officer and is mainly in charge of the investment, financing and insurance business development.

Ms. Liu Rong Rong ("Ms. Liu"), aged 51, was appointed and resigned as an executive director of the Company on 6 September 2019 and 8 April 2022, respectively. 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.

Mr. Charles Simon ("Mr. Simon"), aged 36, was appointed as an executive director of the Company on 15 July 2021. Mr. Simon obtained a dual bachelor's degree in Business Administration and Management from Reims Management School and the University of International Business and Economics (Beijing) in 2012. He received his MBA in entrepreneurship and innovation from the School of Economics and Management of Tsinghua University, in partnership with Sloan School of Management of Massachusetts Institute of Technology, in 2014. Mr. Simon started his career as the co-founder and deputy general manager at Seina Ltd. from 2013 to 2017; a project manager at King Koo Century Co., Ltd. from 2017 to 2019; and Mr. Simon has been a managing director of Table Art Limited since 2019.

Mr. Jin Peiyi ("Mr. Jin"), aged 36, was appointed as an executive director of the Company on 30 July 2021. Mr. Jin, obtained a master's degree in International Hospitality and Hotel Management from University of Western Sydney, Australia in 2011. Mr. Jin started his career as a cofounder at Australia Health World Pty, Ltd from 2011 to 2013. Mr. Jin has been the CEO of Shanghai Office Real Estate Management Co, Ltd since 2014 and the CEO of Shanghai Trust & Moral Investment Management Co, Ltd since 2016. Mr. Jin has been a director of Shanghai St. Office Medical Equipment Co, Ltd since 2009 and a director of Shanghai Shengheng Capital Funding Co, Ltd since 2013.

NON-EXECUTIVE DIRECTOR

Dr. Dong Liuhuan ("Dr. Dong"), aged 44, was appointed as a non-executive director of the Company on 4 February 2022. Dr. Dong obtained a bachelor's degree in Applied Mathematics from Nankai University in July 2000, and a doctoral degree in Probability and Mathematical Statistics from Nankai University in December 2005.

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

After completing his post-doctoral programs at the Chinese Academy of Sciences (December 2005 to September 2007), Dr. Dong successively joined renowned companies in the industry including IBM (China) Limited/Ilog Software Technology (Shanghai) Co., Ltd. (September 2007 to December 2010), Fair Isaac Information Technology (Beijing) Co., Ltd (January 2011 to August 2013), SAS Software (Beijing) Co., Ltd. (August 2013 to May 2015). From May 2015 to August 2018, Dr. Dong co-founded Tong Dun Technology* (同盾科技) as the Chief Risk Control Officer and held the position as the Chief Data Scientist of Mashang Consumer Finance* (馬上消費金融) from June 2018 to July 2020. Dr. Dong joined Lian Yang Guo Rong (Beijing) Science and Technology Co., Ltd.* (聯洋國融(北京)科技有限公司), a subsidiary of the Company, in July 2020 and held positions as Director and Vice President. Dr. Dong joined Lian Yang Guo Rong (Shanghai) Technology Co., Ltd.* (聯洋國融(上海)科技有限公司), a subsidiary of the Company, in July 2021 and held the position as the General Manager. Dr. Dong has long been engaged in the application of decision science, artificial intelligence, operations research, knowledge graph and complex network in the finance industry. He has nearly 15 years of professional experience in financial risk management and anti-fraud, new retail customer value enhancement, credit data analysis of factoring loans/small and micro loans/supply chain credit and specializes in risk control of big data in the finance industry and anti-fraud analysis and modeling.

Dr. Dong has been actively participating in cooperation with academia and industry participants. He held positions as a Part-time Postgraduate Tutor of School of Statistics and Management and a member of the Education Steering Committee of Shanghai University of Finance and Economics and a Part-time Tutor of professional degree master graduates in the School of Finance of Nankai University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Gong (“Mr. Li”), aged 63, 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 U.S.A. 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 of Accenture’s joint ventures in Asia including China Communications Services Software Technology Company in China. He also served as a member of an advisory committee to the 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 U.S.A. from December 2015 to December 2016.

Dr. Shi Ping (“Dr. Shi”), aged 59, 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 School of Crowe Chinese Auditing, Nanjing Audit University is the only university cofounded by the National Audit Office of the PRC, one of the 26 Ministries and Commissions composing the PRC State Council. Dr. Shi is the Chairman of Jiangsu Association of Wealth Managers and has been 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 a supervisor* (監事) of Nanjing King-friend Biochemical Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603707) since 2019 and of Jiangsu Huaxicun Holding Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000936) since 2020. Dr. Shi has been an independent non-executive director of Cocreation Grass Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 605099) since 2021, of Jiangsu Daybright Intelligent Electric Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300670) since 2020, of Nanjing Sengen Technology Co., Ltd.* (南京森根科技股份有限公司) since 2019 and of Kunshan Voso Hinge Intelligence Technology Co., Ltd.* (昆山瑋碩恒基智能科技股份有限公司) since 2021.

Ms. Xu Yanqiong (“Ms. Xu”), aged 35, was appointed as an independent non-executive director of the Company on 28 December 2021. Ms. Xu obtained a master’s degree of Accounting from Macquarie University, Australia, in 2015. Ms. Xu has over 13 years of professional experience in financial management. Ms. Xu was Finance Director of Sydney Bargo Shell Pty Ltd from 2017 to 2020 and was the Finance Business Partner of Sealord Australia Pty Limited from March 2021 to September 2021. She is a member of CPA Australia.

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

Directors' Report

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 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 45 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. The financial risk management objectives and policies of the Group can be found in note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 68.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

The Board aims to not only deliver continuous returns to the shareholders but also maintain sufficient reserves for the Group's future development. Pursuant to the dividend policy of the Company ("Dividend Policy"), the Board will consider various factors in determining whether to declare recommend any dividend and the amount of the relevant dividend, including but not limited to (i) the actual and expected financial results and financial position of the Group; (ii) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Group; (iii) the actual and future operation and liquidity position of the Group; (iv) the Group's debt-to-equity ratio, equity return ratio and committed financial covenants; (v) the general economic and political conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and (vi) any other factors that the Board deems appropriate.

The Company reviews the Dividend Policy from time to time and there is no assurance that dividends will be paid in any particular amount at all for any given period. The payment of dividends is also subject to the requirements of the laws of the Cayman Islands and the memorandum and articles of association of the Company.

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 72 and note 42 to the consolidated financial statements.

As at 31 December 2021, the reserves of the Company available for distribution to shareholders amounted to approximately HK$399,978,000 (2020: HK$309,462,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 158 of this annual report.

FIXED ASSETS

Details of movements in the property, plant and equipment, right-of-use assets and intangible assets of the Group during the year are set out in note 16, 17 and 18 to the consolidated financial statements, respectively.

CONVERTIBLE BONDS

On 22 December 2021, the Company issued a total amount of HK$46 million convertible bonds ("Convertible Bonds") in Hong Kong with a coupon rate of 6.0% per annum and a maturity of 18 months, attached to which are options for holders to convert the whole or any part thereof into new ordinary shares of HK$0.01 each in the share capital of the Company (the "Share(s)") at the conversion price of HK$2.40 per Share. For details, please refer to note 30 to the consolidated financial statements.

BORROWINGS AND PROMISSORY NOTES PAYABLE

Details of the Group's borrowings and promissory notes payable are set out in notes 29 and 28 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 32 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:

Mr. Gu Zhongli *(Chairman)* (appointed on 15 July 2021)
Ms. Liu Rong Rong
Mr. Charles Simon (appointed on 15 July 2021)
Mr. Jin Peiyi (appointed 30 July 2021)
Dr. Li Zhong Yuan (resigned on 30 July 2021)

Non-executive Director:

Dr. Dong Liuhuan (appointed on 4 February 2022)

Independent Non-executive Directors:

Mr. Li Gong
Dr. Shi Ping
Ms. Xu Yanqiong (appointed on 28 December 2021)
Mr. Wang Jianping (resigned on 28 December 2021)

Directors' Report

In accordance with Article 83 of the articles of association of the Company (the "Articles of Association"), Mr. Gu Zhongli, Mr. Charles Simon, Mr. Jin Peiyi, Dr. Dong Liuhuan and Ms. Xu Yanqiong will retire and, being eligible, will offer themselves for re-election at the annual general meeting of the Company to be held on Wednesday, 1 June 2022 (the "AGM").

In accordance with Articles 84 and 85 of 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. Li Gong will retire from office by rotation and, being eligible, will offer himself for re-election as a Director at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, and it will continue thereafter until terminated by either party thereto giving to the other not less than one month's prior notice in writing.

The non-executive Director has entered into letter of appointment with the Company for a term of two years, and it will continue thereafter until terminated by either party thereto giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into letter of appointment with the Company for a term of two or three years, and it will continue thereafter until terminated by either party thereto giving to the other not less than one month's prior notice in writing.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out on pages 16 to 17 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly with the Group's business 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 2021, the interests 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 in the shares of the Company

Name of Director	Type of interest	Number of in which shares held/ interested Personal interests	Percentage of interest
Ms. Liu Rong Rong	Long position	2,456,000	0.32%

Name of Director	Type of interest	Date of share options granted	Number of share options outstanding	Percentage of interest upon fully exercise of share options(i)
Ms. Liu Rong Rong	Long position	27 July 2021	7,400,000	0.94%
Mr. Li Gong	Long position	27 July 2021	740,000	0.09%
Dr. Shi Ping	Long position	27 July 2021	740,000	0.09%

Notes:

(i) The percentage represents the number of underlying shares in which the Director is interested divided by the enlarged issued share capital of the Company as at 31 December 2021, assuming all the outstanding share options are exercised.

(ii) Details of the above share options as required by the Listing Rules have been disclosed in the paragraph headed "Share Option Scheme" in this annual report.

Save as disclosed above, as at 31 December 2021, 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 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 2021 and up to the date of this annual report, no awarded shares were granted under the Share Award Scheme.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 June 2021 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

1. Purposes

The purposes of the Share Option Scheme are: (a) to attract and retain best available personnel; (b) to provide incentives to the participants for their contributions to the Group; and (c) to promote the success of the business of the Group.

2. Participants and determination of eligibility

The Board may, at its sole discretion, offer to grant any options to any full-time or part-time employees, directors (including executive, non-executive and independent non-executive directors), shareholders, consultants or advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of any member of the Group.

The eligibility of any participant to the grant of any option shall be determined by the Board (or where required under the Listing Rules, by the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

3. Duration and Administration

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted but the options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme. Save as aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on 30 June 2021 (the "Adoption Date") and shall expire at the close of business on 29 June 2031, after which no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with the terms of the Share Option Scheme.

The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the rules of the Share Option Scheme) shall be final and binding on all parties to the Share Option Scheme.

4. Grant of options

On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within ten (10) years from the Adoption Date to make any offer (subject to such conditions as the Board may think fit) to any participant as the Board may in its absolute discretion select to take up an option pursuant to which such participant may, during the option period, subscribe for such number of Shares as the Board may determine at the subscription price.

5. Subscription price

The subscription price shall be a price solely determined by the Board and notified to the participant and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a Share.

6. Maximum number of shares

(A) Subject to sub-sections (B) and (C) below, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company will not be counted for the purpose of calculating the 10% limit.

(B) The Company may at any time seek approval by the shareholders in general meeting for refreshing the 10% limit mentioned in sub-section (A) above, provided that the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the refreshed limit must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company or any exercised options) will not be counted for the purpose of calculating the refreshed 10% limit.

(C) The Company may seek separate approval by the shareholders in general meeting for granting options beyond the 10% limit stated in sub-sections (A) and (B) provided that the options in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought.

(D) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the Shares in issue from time to time. No options for Shares may be granted under the Share Option Scheme or any other schemes of the Company if this will result in the limit being exceeded.

7. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any twelve (12) month period must not exceed 1% of the Shares in issue. Any further grant of options to a participant which would result in the aforesaid 1% limit being exceeded must be separately approved by the shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. In seeking the shareholders' approval, the Company must send a circular to the shareholders disclosing the identity of the participant, the number and terms of the options to be granted (and the options previously granted to such participant) and all other information and the disclaimer required under the Listing Rules. The number and terms (including the subscription price) must be fixed before the shareholders' approval.

8. Exercise of options

An option may be exercised, in whole or in part, by the grantee in accordance with the terms of the Share Option Scheme during the option period as determined by the Board, which shall not exceed ten (10) years from the offer date.

Unless otherwise determined by the Board, there is no minimum period for which an option must be held before it can be exercised nor is there any performance targets that must be achieved before an option can be exercised.

The Company shall comply with the relevant Listing Rules when granting options. If options are granted to the directors or substantial shareholders of the Group, such grant shall constitute connected transactions under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules unless and to the extent the awards are exempt under Chapter 17 of the Listing Rules.

On 27 July 2021, the Company granted 27,000,000 options to selected grantees (the "Grantees"), subject to their acceptance, to subscribe for an aggregate of 27,000,000 Shares at exercise price of HK$2.056 per share under the Share Option Scheme. Among the 27,000,000 options granted, 9,620,000 options were granted to four Directors (7,400,000 Options were granted to Ms. Liu Rong Rong, an executive Director, and 740,000 Options were granted to each of Mr. Li Gong, Mr. Wang Jianping and Dr. Shi Ping, the independent non-executive Directors), 6,600,000 options and 780,000 options were granted to two employees of the Company respectively, and 5,000,000 options were granted to each of two consultants of the Company. The options were granted to the Grantees in recognition of their past contributions and services to the Company and for the purpose of retaining outstanding personnel of the Company.

The identity of each consultant and the reasons for making the grants are as follows:

Name of Grantee	Options granted	Relationship with the Company	Reason for granting
Mr. Wang, John Peter Ben ("Mr. Wang")	5,000,000	Financial consultant	Mr. Wang assisted the Company by providing financial advisory services to the Company.
K.B. Chau & Co. ("K.B. Chau")	5,000,000	Consultant for the Company's group structuring with business partners	K.B. Chau advised the Company in relation to its innovative structuring with business partners.

Save as disclosed above, during the year ended 31 December 2021 and up to the date of this annual report, no other options were granted under the Share Option Scheme.

VALUATION OF SHARE OPTIONS

Details of the valuation of share options of the Company during the year are set out in Note 33 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Award Scheme and the Share Option 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 2021, the following parties 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 or short positions in the shares of the Company

Name	Type of interest	Capacity/ Nature	Number of Shares held/ in which interested	Percentage of interest
Timenew Limited *(Note 1 and 2)*	Long position	Beneficial owner	219,345,714	28.81%
	Short position		35,000,000	4.60%
Mr. Li Xiao Ru *(Note 1 and 2)*	Long position	Interest of a controlled corporation	219,345,714	28.81%
	Short position		35,000,000	4.60%
Dr. Li Zhong Yuan *(Note 2)*	Long position	Interest of a controlled corporation	36,741,286	4.82%
	Long position	Beneficial owner	120,000	0.02%
	Long position	Having a security interest	35,000,000	4.60%
Lian Yang Investment Limited	Long position	Beneficial owner	76,092,789	9.99%
Mr. Sze Ching Lau	Long position	Beneficial owner	60,724,000	7.97%

Notes:

(1) As 31 December 2021, Timenew Limited was wholly beneficially owned by Mr. Li Xiao Ru. Mr. Li Xiao Ru was therefore deemed to be interested in the 219,345,714 shares held by Timenew Limited under the SFO.

(2) 35,000,000 shares were subject to a deed of share charge, which was released on 24 February 2022, executed by Timenew as the Chargor, and Dr. Li Zhong Yuan as the Chargee.

(3) As of 31 December 2021, the Company's total number of issued shares was 761,483,665.

Save as disclosed above, as at 31 December 2021, 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 2021, which did not constitute connected transactions under the Listing Rules, are disclosed in note 37 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 27 August 2021, an aggregate of 15,000,000 new ordinary shares were allotted and issued by the Company to a subscriber, being a third party independent of the Group, at the subscription price of HK$2.00 per share. The aggregate gross proceeds raised were approximately HK$30.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK$28.5 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 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the aggregate amount of revenue attributable to the Group's five largest customers was approximately 33.4% of the Group's total revenue and the Group's largest customer accounted for approximately 7.4% of the Group's total revenue. During the year ended 31 December 2021, the aggregate amount of purchases attributable to the five largest suppliers represented less than 30% of the Group's purchase.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is that the management of the Group decides emoluments for 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$1,890,000 (2020: HK$2,647,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 43 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 2021 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.

Gu Zhongli
Chairman

Hong Kong, 28 March 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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”) 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 2021, 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 2021, 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 2021.

BOARD OF DIRECTORS

The Board currently comprises eight Directors in total, with four Executive Directors, one Non-executive Director 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:

Mr. Gu Zhongli *(Chairman)* (appointed on 15 July 2021)
Ms. Liu Rong Rong
Mr. Charles Simon (appointed on 15 July 2021)
Mr. Jin Peiyi (appointed 30 July 2021)
Dr. Li Zhong Yuan (resigned on 30 July 2021)

Non-executive Director:

Dr. Dong Liuhuan (appointed on 4 February 2022)

Independent Non-executive Directors:

Mr. Li Gong
Dr. Shi Ping
Ms. Xu Yanqiong (appointed on 28 December 2021)
Mr. Wang Jianping (resigned on 28 December 2021)

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 comprised 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 or her 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, six Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Directors	Attendance/ number of Board meetings held during tenure	Attendance rate
Executive Directors		
Mr. Gu Zhongli *(Chairman)* (appointed on 15 July 2021)	2/2	100%
Ms. Liu Rong Rong	6/6	100%
Mr. Charles Simon (appointed on 15 July 2021)	2/2	100%
Mr. Jin Peiyi (appointed 30 July 2021)	1/1	100%
Dr. Li Zhong Yuan (resigned on 30 July 2021)	5/5	100%
Non-executive Director:		
Dr. Dong Liuhuan (appointed on 4 February 2022)	N/A	N/A
Independent Non-executive Director:		
Mr. Li Gong	6/6	100%
Dr. Shi Ping	6/6	100%
Ms. Xu Yanqiong (appointed on 28 December 2021)	N/A	N/A
Mr. Wang Jianping (resigned on 28 December 2021)	6/6	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 of the Board (the "Chairman") met with the Non-executive Directors (including the Non-executive Director and 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 2021, 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. Following the resignation of Dr. Li Zhong Yuan as the Chairman on 30 July 2021, Mr. Gu Zhongli is the chairman of the Board. There is no chief executive officer of the Company. Mr. Gu Zhongli 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 Non-executive Director and each of the Independent Non-executive Directors has entered into a letter of appointment with the Company and is 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 Mr. Gu Zhongli, and two Independent Non-executive Directors, namely Mr. Li Gong and Ms. Xu Yanqiong. The Chairman of the Remuneration Committee is Ms. Xu Yanqiong. 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, two meetings were held and the attendance of each member at the meetings is set out as follows:

Name of members	Attendance/ number of Remuneration Committee meetings held during tenure	Attendance rate
Ms. Xu Yanqiong *(Chairman)* (appointed on 28 December 2021)	N/A	N/A
Mr. Gu Zhongli (appointed on 30 July 2021)	N/A	N/A
Mr. Li Gong	2/2	100%
Mr. Wang Jianping *(Chairman)* (resigned on 28 December 2021)	2/2	100%
Dr. Li Zhong Yuan (resigned on 30 July 2021)	2/2	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 Mr. Gu Zhongli, and two Independent Non-executive Directors, namely Mr. Li Gong and Ms. Xu Yanqiong. 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, two meetings were held and the attendance of each member at the meetings is set out as follows:

Name of members	Attendance/ number of Nomination Committee meetings held during tenure	Attendance rate
Mr. Li Gong *(Chairman)*	2/2	100%
Mr. Gu Zhongli (appointed on 30 July 2021)	N/A	N/A
Ms. Xu Yanqiong (appointed on 28 December 2021)	N/A	N/A
Dr. Li Zhong Yuan (resigned on 30 July 2021)	2/2	100%
Mr. Wang Jianping (resigned on 28 December 2021)	2/2	100%

The Nomination Committee is responsible for formulating nomination policies for the Board's consideration and implementing 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 Ms. Xu Yanqiong. 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%
Ms. Xu Yanqiong (appointed on 28 December 2021)	N/A	N/A
Mr. Wang Jianping (resigned on 28 December 2021)	2/2	100%

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

(i) reviewed the financial reports for the year ended 31 December 2020 and for the six months ended 30 June 2021;

(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 2020; and

(v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 31 December 2021.

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 2021.

During the year ended 31 December 2021, 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$3,080,000 (2020: HK$2,800,000) and approximately HK$1,030,000 (2020: HK$820,000), 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 2021 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 2021, an annual general meeting (the "2020 AGM") was held and the attendance of each Director at the 2020 AGM are set out as follows:

Directors	Attendance/ number of 2020 AGM held during tenure
Executive Directors	
Mr. Gu Zhongli *(Chairman)* (appointed on 15 July 2021)	N/A
Ms. Liu Rong Rong	1/1
Mr. Charles Simon (appointed on 15 July 2021)	N/A
Mr. Jin Peiyi (appointed on 30 July 2021)	N/A
Dr. Li Zhong Yuan *(Chairman)* (resigned on 30 July 2021)	1/1
Non-executive Director	
Dr. Dong Liuhuan (appointed on 4 February 2022)	N/A
Independent Non-executive Directors	
Mr. Li Gong	0/1
Dr. Shi Ping	1/1
Ms. Xu Yanqiong (appointed on 28 December 2021)	N/A
Mr. Wang Jianping (resigned on 28 December 2021)	1/1

The AGM provides a useful forum for shareholders to exchange views with the Board. At the Company's 2020 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 2020 AGM was held on 30 June 2021 and notice of the 2020 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. Mr. Li Gong (being the independent non-executive Director) was unable to attend the 2020 AGM held on 30 June 2021 due to other business engagements.

The forthcoming AGM will be held on Wednesday, 1 June 2022, 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.

Gu Zhongli
Chairman

Hong Kong, 28 March 2022

Environmental, Social and Governance Report

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 ("ESG") Report (the "Report") for the year ended 31 December 2021.

Reporting Scope and Reporting Period

The boundary is consistent with the business units stated in the annual report, which covers our three businesses: (1) big data business; (2) third-party payment services; and (3) manufacturing customized liquid and powder coatings. Among which, the big data business, which was acquired in June 2021, was newly covered in this Report.

Unless otherwise specified, the environmental disclosures in the Report covers big data business in Beijing and Shanghai, third-party payment services in Shanghai, and coating production plant in Guangzhou[(note)] in the People's Republic of China (the "PRC"). The social disclosures in the Report covers all locations of the operating entities of the Group[(note)].

The Report covers the period from 1st January to 31st December 2021 (the "Reporting Period"), which is consistent with the financial year covered by the 2021 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. In preparing the Report, we have adopted the internationals standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant Key Performance Indicators ("KPIs"), and there is no change from previous year in the way the Report has been prepared, unless otherwise stated. The application of materiality is detailed in the subsection headed "ESG Management — Materiality Assessment".

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.

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

Note: For coating business, only the Guangzhou production plant is covered in the environmental disclosure as the segment revenue for coating business mainly generated from the sales of products produced in the said plant, while all production plants are covered in the social disclosure.

Environmental, Social and Governance Report

ESG MANAGEMENT

Statement from the Board

As a responsible corporate citizen, we value the concept of sustainability and have been actively fulfilling its corporate social responsibilities. The Report summarizes the strategy, practice and vision of our Group in respect of the issues related to ESG, and conveys a clear message of our Group's devotion for sustainability. To enhance our resilience and adaptive capacity to potential ESG-related risks and opportunities, all potential ESG issues are covered and evaluated in the annual risk assessment.

We have a well-established governance structure to effectively oversee our ESG issues and manage our sustainability performance. The Board of directors of the Company (the "Board") assumes ultimate responsibility for overseeing our Group's ESG-related risks and opportunities, establishing the ESG-related strategies and targets of our Group, and reviewing our Group's performance annually against the ESG-related targets. In pursuant of our commitment towards responsible corporate citizen, we have set up an ESG Working Group (the "ESG Working Group"). Our ESG Working Group has been established with senior management and department heads across different functions. The key responsibilities include supporting the Board in implementing ESG-related strategies and targets, managing and promoting the implementation of measures in relation to ESG issues identified. To effectively and accurately evaluate ESG-related issues that are considered material and relevant to the Group, the Board requires the ESG Working Group to report ESG updates to the Board regularly.

To ensure all the long-term sustainability goals and targets are relevant to the Group, the Board keeps track and continuously reviews the sustainability priorities through regular stakeholder engagement and embeds the results into our sustainability initiatives and strategies. We also take into consideration the industry practices, international trends and benchmarks against peers in setting and evaluating our environmental and social KPIs as well as other ESG topics that are material to the Group's principal business.

Board

- The Board is responsible for the overall decision-making process and overseeing the formulation, administration, and assessment of the ESG system.

ESG Working Group

- The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.

Functional Department

- Functional departments are responsible for the execution of measures to achieve the preset ESG-related strategies and targets.

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
Stock Exchange	• 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

ESG issues that are pertinent to the Group and its stakeholders are identified through materiality assessment, which is a crucial step in developing the sustainability strategy. The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG reports, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map(note). The ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. 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 ESG Working Group 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.

Note: Sustainability Accounting Standards Board's Materiality Map, https://materiality.sasb.org/

The results of the materiality assessment on the identified ESG issues are summarised as below:

Identified ESG issues

- Greenhouse Gases Emissions
- Wastes Management
- Use of Resources

- Product and Service Responsibility
- Occupational Health and Safety
- Supply Chain Management
- Staff Training and Development

ENVIRONMENTAL

Overview

The Group's business is principally divided into three streams, namely (1) big data services, (2) third-party payment services, and (3) customized liquid and powder coatings manufacturing. Owing to the business nature, third-party payment services and big data services do not produce considerable amount of gas and chemicals, rendered the impacts on environment mainly originated from the 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 notes the importance of environmental protection and follows the principle of sustainable development in its daily operations in an attempt to improve the environmental awareness of its employees and to build a sustainable environment. Our production plant in Guangzhou has established an environmental management system and relevant policies and procedures for coating business that meet the international industry specific environmental standards and obtained ISO 14001:2015 certification.

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 Period, the Group continues to monitor the development of the 14th Five Year Plan (《"十四五"規劃》) of the PRC, where all of the Group's Business Units locate. 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

During the Reporting Period, the Group's air emissions derive mainly from its self-owned vehicles and gas cooking stoves used in the canteen. As compared to the previous reporting period, there was an increase in air emissions, which was mainly due to the increased number of vehicles owned by the Group and higher operational needs as the COVID-19 epidemic had subsided during the Reporting Period.

Detailed quantity of air pollutants produced by the Group:

Emissions	Unit	2021 Amount	2020 Amount
Nitrogen Oxides ("NO_x")	Tonnes	**0.18**	0.14
Sulphur Oxides ("SO_x")	Tonnes	**0.00031**	0.00016
Particular Matter ("PM")	Tonnes	**0.012**	0.0092

Greenhouse Gases Emissions

The direct greenhouse gas emissions mainly come from combustion of fuels by vehicles and in stationary sources. Indirect emissions derive principally from purchased electricity and paper disposal. During the Reporting Period, there was an increase in scope 1 and scope 3 emissions when compared to the previous reporting period, which was mainly due to (i) the newly included big data services; (ii) the increased number of vehicles owned by the Group; (iii) the usage of gas cooking stoves was not shared with external service provider; and (iv) the increased usage of generators owing to the power restrictions imposed by the local government. Despite the said increases, the total emissions and emissions intensity remained relatively stable mainly due to the change of emission factor for electricity.

Detailed breakdown of Greenhouse Gases ("GHG") Emissions by the Group:

Major Types of Emissions	Unit	2021 Amount	2020 Amount
Scope 1[(1)]			
Combustion of fuels in generators:	Tonnes of carbon dioxide equivalent	**49.98**	10.67
Combustion of fuels in vehicles:	Tonnes of carbon dioxide equivalent	**55.82**	28.72
Combustion of fuels in gas cooking stoves:	Tonnes of carbon dioxide equivalent	**20.07**	9.57[(2)]
Total	Tonnes of carbon dioxide equivalent	**125.87**	48.96[(2)]
Scope 2			
Electricity	Tonnes of carbon dioxide equivalent	**1,826.81**[(3)]	2,042.24
Scope 3			
Waste Paper	Tonnes of carbon dioxide equivalent	**6.24**	2.88
Sewage	Tonnes of carbon dioxide equivalent	**Nil**[(4)]	3.18
Total	Tonnes of carbon dioxide equivalent	**6.24**	6.06
Total Emissions	Tonnes of carbon dioxide equivalent	**1,958.92**	2,097.26[(2)]
Emissions Intensity	Tonnes of carbon dioxide equivalent/ Per Hong Kong Dollar of Revenue	**0.0000032**	0.0000034[(2)]

Notes:

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

(2) The figures of scope 1, total emissions and emissions intensity had been re-examined and restated to include of usage of liquified petroleum gas ("LPG") in gas cooking stoves used in the canteen, for the purpose of meaningful comparison.

(3) Scope 2 GHG Emission (indirect emission from consumption of purchased electricity) is based on the latest national emission factor for mainland China issued by Ministry of Ecology and Environment of the PRC.

(4) From 2021 onwards, the sewage was directly discharged into the municipal drainage network, and thus there was no independent data for sewage discharge during the Reporting Period.

To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emission intensity between 90% to 120% for the next reporting period, against the level of baseline year ended 31 December 2021, through adopting the mitigating measures detailed in the subsection headed "Energy Use Efficiency".

Waste Management

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.

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

Type	Unit	2021 Amount	Intensity	2020 Amount	Intensity
Hazardous Waste	Tonnes	**23**	**0.0000028 (per KG of coating product manufactured)**	14	0.0000020 (per KG of coating product manufactured)
Non-hazardous Waste	Tonnes	**101**	**0.00000017 (per Hong Kong Dollar of revenue)**	98	0.00000016 (per Hong Kong Dollar of revenue)

Our Group will target to reduce or maintain the production of hazardous waste and non-hazardous waste intensity between 90% to 120% for the next reporting period, against the level of baseline year ended 31 December 2021.

Wastewater Discharge

From 2021 onwards, wastewater was directly discharged into the municipal drainage network, and thus there was no independent data for sewage discharge during the Reporting Period. Nevertheless, uncontrolled discharge is strictly prohibited by the Group, and it will make continuous effort to minimize the amount of sewage discharged.

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 wastes; (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 and gas cooking stoves.

Detailed information of energy consumed by the Group:

Energy Type	Unit	2021 Amount	Intensity (per KG of coating product manufactured)	2020 Amount	Intensity (per KG of coating product manufactured)
Electricity	kilowatt hour ("kWh")	**2,994,280**	**0.363362**	2,547,031	0.352832
Diesel	Litre	**19,100**	**0.002318**	620	0.000086
Petrol	Litre	**20,965**	**0.002544**	10,578	0.001465
LPG	kg	**6,652**	**0.000807**	3,000[(1)]	0.000416[(1)]

Note:

(1) The figures of usage of LPG in gas cooking stoves used in the canteen had been included, for the purpose of meaningful comparison.

As aforementioned, the Group recorded an increase in the use of resources mainly due to (i) the newly included big data services; (ii) the increased number of vehicles owned by the Group; (iii) the usage of gas cooking stoves was not shared with external service provider; and (iv) the increased usage of generators owing to the power restrictions imposed by the local government. Considering the difficulty in predicting the future regulatory requirements and operational arrangement, the Group will target to reduce or maintain the energy consumption intensity between 90% to 130% for the next reporting period, against the level of baseline year ended 31 December 2021, given that there is no power restriction or the period of restriction imposed remains similar, or there is no sudden change in the operational arrangement.

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 and Beijing office for big data services are 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:

	Unit	2021 Amount	Intensity (per Hong Kong Dollar of revenue)	2020 Amount	Intensity (per Hong Kong Dollar of revenue)
Water	M^3	**20,057**	**0.000033**	14,210	0.000023

During the Reporting Period, the increase in water consumption mainly resulted from higher operational needs as the COVID-19 epidemic had subsided. The Group will make continues efforts in working towards the target of maintaining or reduce or maintain the water consumption intensity between 90% to 120% for the next reporting period, against the level of baseline year ended 31 December 2021.

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

During the Reporting Period, despite the increase in the usage of packaging materials, the intensity of packing material used remained stable. 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:

	Unit	2021 Amount	Intensity (per KG of coating product manufactured)	2020 Amount	Intensity (per KG of coating product manufactured)
Packaging materials	Tonnes	**782.30**	**0.000095**	692.00	0.000096

The Environment and Natural Resources

The 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 production 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 noise 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.

Climate Change

The Group reviews and identifies the climate-related risk annually while conducting the risk assessment. We have considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosure, which are the physical risks such as extreme weather conditions and transition risks such as regulatory change or emerging technologies, and the potential climate-related risks are summarised as below:

Risks Type	Potential Financial Implications Low ■ Medium ■ High ■	Short (current reporting period)	Medium (one to three years)	Long (four to ten years)	Mitigating Strategy
Physical Risks	*Acute* Reduced revenue and increased costs from business and supply chain disruptions due to extreme weather conditions *Chronic* Increased costs related to the sustained elevated temperature				• Established safety management system, including adverse weather guidelines • Adopted energy conservation measures to reduce the impacts of our works on environment
Transition Risks	*Changes in climate-related regulations* Higher compliance or operating costs due to the adoption of more rigorous regulatory standards				• Continuous monitoring of the regulatory environment • Adopted mitigating measures to reduce the impacts of our works on environment • Adopted measures in coping with the power restrictions imposed by the local government
	Emerging technology Increased costs due to the adoption of new practices or materials that are more environmentally friendly *Shift in customer preference* Reduced revenue due to reduced demand of products and services				• Keeping abreast of the industry standards and adopted green procurement • Adopted stringent environmental management system to ensure the Group meets the expectations and requirements of the customers

Environmental, Social and Governance Report

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 our businesses, namely big data business, 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; for employees working for third-party payment services, respective departments perform appraisals both monthly and yearly; whereas for employees in big data business, appraisals are performed both quarterly 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, colour, 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.

Our Team

As of 31 December 2021, there was a total of 826 employees, details of our employees are as follows:

	2021
Number of Employees	**826**
By Gender	
Female	**230**
Male	**596**
By Age	
25 or below	**35**
25 to 29	**85**
30 to 39	**268**
40 to 49	**247**
Over 50	**191**
By Employment Type	
Full-time	**818**
Part-time	**8**
By Geographical Region	
PRC	**724**
Vietnam	**73**
Hong Kong	**29**

As of 31 December 2021, there was a total of 139 employees left the Group, details of our employees turnover rate are as follows:

	2021
Total Employee Turnover Rate	**28%**
By Gender	
Female	**30%**
Male	**27%**
By Age	
25 or below	**80%**
25 to 29	**58%**
30 to 39	**31%**
40 to 49	**20%**
Over 50	**10%**
By Geographical Region	
PRC	**31%**
Vietnam	**3%**
Hong Kong	**3%**

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 and big data 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.

The Group protects the safety of its employees and subcontractors through its robust Safety Management System. 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 supply 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. We are certified with the international Occupational Health and Safety Management System Standard ISO 45001:2018 for our coating business during the Reporting Period for our efforts in safeguarding occupational health and safety.

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.

For the past three reporting periods, there were no work-related fatalities. With regards to work injuries, there were 2 reported injuries with a total of 6 lost days resulted during the Reporting Period. The Group continues to reflect on its existing safety policies and is committed to continuously adapt and improve its occupational safety measures as would be necessary.

Safety Measures for COVID-19

To combat with COVID-19, the Group continues to adopt 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. The Group has been actively encouraging the employees to take preventive actions, such as cleaning hands with wet wipes or sanitizers regularly and wearing a mask where necessary.

The Group continues to enhance its employees' awareness, encourage them to initiate preventive actions, and thus minimize the chance of spread and transmission of COVID-19 within the Group. The Group pays close attention to latest developments regarding the COVID-19 pandemic and regularly reviews such plans to ensure their adequacy and suitability.

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 equally important for its employees. For the third-party payment services, sound, adequate understanding on online payments and on relevant compliance issues is the basis of job routine. For the coatings manufacturing, occupational health and safety, standard operating procedures for handling industrial substances and knowledge on risks of chemicals are vital for employees' career. Whereas for the big data services, knowledge of information technology in relation to retail financial services are critical in providing quality services. 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 Reporting Period, employees from third-party payment services attended a wide variety of trainings, which can be classified into three main categories, which are trainings to (i) familiarize employees with policies and procedures within the Group, (ii) enhance employees' product knowledge and latest technological information, and (iii) enhance employees' awareness on compliance issues. 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. As for employees from big data services, the trainings focused on enhancing the skills in relation to financial technologies.

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.

Percentage of Trained Employees (%)	2021
Total	**29%**
By Gender	
Male	**76%**
Female	**24%**
By Employee Category	
Junior Staff	**83%**
Senior Staff	**5%**
Management	**12%**
Average Training Hours (Hours)	
By Gender	
Male	**3.74**
Female	**2.98**
By Employee Category	
Junior Staff	**3.76**
Senior Staff	**1.85**
Management	**4.02**

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.

During the Reporting Period, the Group has a total of 381 suppliers, all suppliers were located in the PRC.

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 generation of 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 Reporting Period, the Group received a total of 1,292 complaints (2020: 198), the increase was due to the adoption of new practice, which all complaints, regardless of substantiality, were recorded. Such transition was to enhance our customer service and improve customer satisfaction. All details of complaints, including dates, information of complainants, descriptions of complain and follow-up actions were properly recorded. There were no products being recalled due to safety and health reasons during the Reporting Period.

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 of China, 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 Reporting Period, the Group did not receive any complaints on its third-party payment services.

Big Data Services

The Group places great emphasis on network and link stability to operate its independent "SaaS/PaaS" cloud platform and provide big data services to its customers. The Group has established a Network Quality Monitoring Standard (網絡質量運維監控管理規範) and Incident Management Standard (故障管理規範) to govern and standardize the daily network maintenance and management, and incident responses. In recognition of our stringent quality management and provision of quality services, we have obtained, among others, ISO 20000-1:2018 for our information technology service management; ISO 27001:2013 for our information security management; and ISO 9001:2015 for our quality management.

During the Reporting Period, the Group did not receive any complaints on its big data 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.

Advertising

Concerning advertising and labelling matters, the Group adheres to the "Advertising Law" (《廣告法》) of the PRC. Currently, in dealing with its clients, the Group provides complete, true, accurate, clear information on its services and products. On top of that, the Board is liable in ensuring that the Group does not publish or publicly distribute advertisement that misrepresents the actual information.

Data Privacy and Intellectual Property

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 and big data services, the Group may 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 (《資訊安全技術個人資訊安全規範》), Network Security Law (《網路安全法》), and Personal Information Protection Law (《個人信息保護法》). The Group has established Safety Management Policy (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 Reporting Period, there was no material non-compliance regarding data privacy.

The Group also recognises the importance of protecting and enforcing its intellectual property rights, and strictly complies with all relevant laws and regulations that have a significant impact on it including but not limited to Trademark Law (《商標法》), Patent Law (《專利法》), and Civil Law (《民法典》) of the PRC. The Group has adopted practices to avoid infringement of intellectual property rights, such as register intellectual property rights that are material to its business operation and take legal actions in due course upon identification of any trademark infringements.

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. An internal audit department is responsible for evaluating internal control effectiveness, detecting potential deficiencies and illustrating areas for improvement. During the Reporting Period, the Group organized 3 sessions of anti-money laundering trainings for its employees from the third-party payment services. For coating business and big data services, the Group closely monitors the regulatory development and will arrange relevant trainings for employees, where necessary.

For whistle-blowing, the Group values and welcomes our employees to report any suspected malpractices confidentially to the Management. The Group handles reported cases cautiously and each submitted case will be handled and investigated promptly. A full investigation will then be conducted, disciplinary action will be applied to the employee involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case.

During the Reporting Period, no legal cases regarding corruption were brought against the Group or its employees, and the Group is not aware of any incidents of bribery, extortion, fraud or other violations.

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 Reporting Period, the Group had not organized any community and charity activities due to the COVID-19 pandemic. Although the Group had not carried out any community services, it has donated approximately HK$12,000 to support the individuals in the frontline of epidemic prevention and control. Looking forward, we will continue to contribute to the society and explore more opportunities after the COVID-19 situation are improved and restrictions are lifted.

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter/Section	Remarks
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental — Overview	
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (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 emissions target(s) set and steps taken to achieve them.	Greenhouse Gas Emissions, Waste Management, Energy Use Efficiency, Measures to Reduce Waste Generation	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management, Measures to Reduce Waste Generation	

Aspect	Description	Chapter/Section	Remarks
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental — 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 target(s) set and steps taken to achieve them.	Use of Resources, Energy Use Efficiency	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	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	
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

Aspect	Description	Chapter/Section	Remarks
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 (for example, full- or part-time), age group and geographical region.	Our Team	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our Team	
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 occurred in each of the past three years including the reporting year.	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	Remarks
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	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	

Aspect	Description	Chapter/Section	Remarks
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.	Product and Service Responsibility	
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	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	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	

Independent Auditor's Report

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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 68 to 157, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 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
Step acquisition of LYGR	

On 2 June 2021, the Group acquired the additional 23.33% equity interest of Lian Yang Guo Rong Holdings Limited ("**LYGR**") at a consideration of approximately HK$136,832,000, which gives the Group the control of LYGR. LYGR was a 30.89% associate of the Group before the step acquisition.

In a business combination achieved in stages, the Group requires to re-measure its previously held equity interest at the acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

Accounting for business combination requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition. The Group assessed the previously held 30.89% equity interest in LYGR; the fair values of the identifiable intangible assets; and the business value of LYGR at the acquisition date based on an independent valuation report prepared by an independent external valuer.

The Group recorded a corresponding re-measurement gain of approximately HK$3,697,000. The identified intangible assets of supplier relationship, computer software and goodwill recognised in the consolidated financial statements as at the acquisition date amounted to approximately HK$238,529,000, HK$21,346,000 and HK$114,545,000, respectively.

Management determined the fair value of supplier relationship and computer software using multi-period excess earnings method and cost approach respectively, with the assistance of an independent external valuer which requires an estimation of future results, a set of estimations and a determination of key inputs, including attrition rate, contributory asset charge and discount rates.

In addition, the fair values of the 100% equity interest and the previously held 30.89% equity interest in LYGR were determined by using the discounted cash flow ("DCF") approach and various key assumptions and estimates including revenue growth rate and discount rate. The excess of consideration transferred and fair value of previously held 30.89% equity interest over the fair values of the assets acquired, liabilities assumed and identified intangible assets is recorded as goodwill.

We focused on this area because the re-measurement gains and carrying values of the identifiable intangible assets and goodwill are significant to the consolidated financial statements and the valuation methodology and key assumptions require the use of significant judgements and estimates. These estimations are also subject to uncertainties. Any changes to these inputs may have significant impact on the fair value of intangible assets recognised in the step acquisition.

The related disclosures are included in notes 3.3 and 34 to the consolidated financial statements.

Our procedures in relation to the step acquisition of LYGR included:

- Assessing the competency, capability and objectivity of the independent external valuer by considering its qualification, relevant experience and relationship with the Group
- Understanding and assessing the appropriateness of the methodologies used and the assumptions and estimates applied in the (i) re-measurement of previously held 30.89% equity interest in LYGR; (ii) the valuations of identifiable intangible assets; and (iii) the business value of LYGR at the acquisition date.
- Evaluating the reasonableness of the discount rate by considering the weighted average cost of capital and the risk profile of the investee.
- Assessing the reasonableness of the key assumptions used including but not limited to revenue growth rate, attrition rate, contributory asset charge, and discount rates by comparing these assumptions against relevant market data and industry research.
- Testing the arithmetical accuracy on the calculation of the fair values of identified net assets, goodwill and intangible assets.

We found the key assumptions as stated above to be supporting by the evidence obtained.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and other intangible assets	
As at 31 December 2021, the Group had carrying amount of goodwill and other intangible assets amounted to approximately HK$114,545,000 and HK$261,747,000 respectively, which was arisen from the step acquisition of LYGR and its subsidiaries (the "LYGR Group") during the year. Management engaged an independent external valuer to assist in carrying out the goodwill and other intangible assets impairment assessment. For the purpose of assessing impairment, management considered that LYGR Group is a cash-generated-unit (the "LYGR CGU") and the goodwill and other intangible assets are allocated to the LYGR CGU. The recoverable amount of the LYGR CGU was determined based on value-in-use calculation. The value-in-use calculations use cash flow projections approved by management which involve judgements by management such as determining the revenue growth rates and discount rate. Changes in these assumptions may impact the recoverable amount of goodwill and other intangible assets. 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. revenue growth rate and discount rate. The related disclosures are disclosed in notes 3.4, 4 and 18 to the consolidated financial statements.	Our procedures in related to impairment assessment of goodwill and other intangible assets included: • Understanding key controls on how the management performed the impairment assessment; • 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 independent external valuer engaged by management; • Obtaining the valuation report and discussed with the independent external valuer on the methodologies and key assumptions used; • Challenging and assessing the reasonableness of the key assumptions used in the assessment, including revenue growth rates and discount rates; 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 2021, the carrying amount of trade receivables amounted to approximately HK$253,120,000 (net of impairment losses of amounted to approximately HK$33,427,000). The impairment under expected credit losses model on trade receivables are assessed 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, 4, 23 ad 41 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. This 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 this independent auditor's report is Gao Yajun.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2022

Gao Yajun
Practising certificate number P06391

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK$'000	2020 HK$'000 (Re-presented)
Revenue	5	**608,158**	622,068
Cost of sales		**(417,669)**	(485,312)
Gross profit		**190,489**	136,756
Other income	7	**24,275**	33,432
Other gains and losses, net	8	**5,223**	(1,465)
Impairment losses under expected credit loss model, net of reversal	9	**(18,483)**	(14,053)
Impairment losses of goodwill and other intangible assets	18	**(633,218)**	(1,247,492)
Impairment losses of interests in associates	19	**–**	(27,558)
Distribution and selling expenses		**(58,136)**	(52,983)
Administrative expenses		**(216,494)**	(136,447)
Research and development expenses		**(67,579)**	(16,265)
Finance costs	10	**(46,519)**	(52,780)
Share of results of associates	19	**25,097**	22,648
Loss before taxation	12	**(795,345)**	(1,356,207)
Income tax credit	13	**162,072**	233,342
Loss for the year		**(633,273)**	(1,122,865)
Loss for the year attributable to:			
Owners of the Company		**(238,682)**	(627,682)
Non-controlling interests		**(394,591)**	(495,183)
		(633,273)	(1,122,865)
Loss per share			
Basic and diluted	15	**(HK$33.0) cents**	(HK$93.4) cents

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	2021 HK$'000	2020 HK$'000
Loss for the year	**(633,273)**	(1,122,865)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**38,077**	112,638
Share of other comprehensive income of associates, net of related income tax	**4,101**	9,604
Other comprehensive income for the year	**42,178**	122,242
Total comprehensive expense for the year	**(591,095)**	(1,000,623)
Total comprehensive expense attributable to:		
Owners of the Company	**(214,094)**	(570,249)
Non-controlling interests	**(377,001)**	(430,374)
	(591,095)	(1,000,623)

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

Consolidated Statement of Financial Position

At 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**169,033**	134,082
Right-of-use assets	17	**80,772**	73,273
Intangible assets	18	**376,292**	626,681
Interests in associates	19	**168,068**	261,801
Financial assets at fair value through profit or loss	20	**–**	544
Deferred tax assets	21	**18,294**	5,460
Deposits paid for non-current assets		**2,964**	2,899
		815,423	1,104,740
Current assets			
Inventories	22	**43,254**	38,345
Trade and other receivables	23	**454,059**	382,140
Tax recoverable		**25**	25
Financial assets at fair value through profit or loss	20	**17,659**	–
Restricted bank deposits	24	**221,382**	350,051
Bank balances and cash	25	**238,016**	227,878
		974,395	998,439
Current liabilities			
Trade and other payables	26	**437,710**	401,965
Lease liabilities	27	**12,587**	11,279
Borrowings	29	**19,033**	500,000
Promissory notes payable	28	**149,303**	–
Tax payable		**1,605**	9,834
		620,238	923,078
Net current assets		**354,157**	75,361
Total assets less current liabilities		**1,169,580**	1,180,101
Non-current liabilities			
Promissory notes payable	28	**–**	163,579
Deferred tax liabilities	21	**41,978**	154,378
Borrowings	29	**500,000**	–
Convertible bonds – debt component	30	**41,624**	–
Convertible bonds – embedded derivative component	30	**3,539**	–
Lease liabilities	27	**26,864**	20,891
		614,005	338,848
Net assets		**555,575**	841,253

Consolidated Statement of Financial Position

At 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	*32*	**7,615**	6,774
Reserves		**204,374**	228,229
Equity attributable to owners of the Company		**211,989**	235,003
Non-controlling interests		**343,586**	606,250
Total equity		**555,575**	841,253

The consolidated financial statements on pages 68 to 157 were approved and authorised for issue by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Gu Zhongli
Director

Jin Peiyi
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 2021

(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)*	Translation reserve HK$'000	Other reserve HK$'000 *(Note c)*	Non-distributable reserve HK$'000 *(Note d)*	Share-based payment reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	6,631	325,379	32,000	(274)	(13,638)	4,571	16,283	–	384,433	755,385	1,036,624	1,792,009
Loss for the year	–	–	–	–	–	–	–	–	(627,682)	(627,682)	(495,183)	(1,122,865)
Other comprehensive income												
Exchange differences arising on translation of foreign operations	–	–	–	–	47,829	–	–	–	–	47,829	64,809	112,638
Share of other comprehensive income of associates	–	–	–	–	9,604	–	–	–	–	9,604	–	9,604
Other comprehensive income for the year	–	–	–	–	57,433	–	–	–	–	57,433	64,809	122,242
Total comprehensive income/(expense) for the year	–	–	–	–	57,433	–	–	–	(627,682)	(570,249)	(430,374)	(1,000,623)
Issue of shares *(Note 32)*	143	49,724	–	–	–	–	–	–	–	49,867	–	49,867
Appropriation to statutory reserve	–	–	–	–	–	–	1,149	–	(1,149)	–	–	–
At 31 December 2020 and 1 January 2021	**6,774**	**375,103**	**32,000**	**(274)**	**43,795**	**4,571**	**17,432**	**-**	**(244,398)**	**235,003**	**606,250**	**841,253**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(238,682)**	**(238,682)**	**(394,591)**	**(633,273)**
Other comprehensive income												
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**20,487**	**-**	**-**	**-**	**-**	**20,487**	**17,590**	**38,077**
Share of other comprehensive income of associates	**-**	**-**	**-**	**-**	**4,101**	**-**	**-**	**-**	**-**	**4,101**	**-**	**4,101**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**24,588**	**-**	**-**	**-**	**-**	**24,588**	**17,590**	**42,178**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**-**	**24,588**	**-**	**-**	**-**	**(238,682)**	**(214,094)**	**(377,001)**	**(591,095)**
Issue of shares *(Note 32)*	**841**	**164,487**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**165,328**	**-**	**165,328**
Appropriation to statutory reserve	**-**	**-**	**-**	**-**	**-**	**39**	**797**	**-**	**(836)**	**-**	**-**	**-**
Increase in non-controlling interest as a result of acquisition of a subsidiary *(Note 34)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**114,337**	**114,337**
Recognition of equity-settled share-based payment *(Note 33)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,752**	**-**	**25,752**	**-**	**25,752**
At 31 December 2021	**7,615**	**539,590**	**32,000**	**(274)**	**68,383**	**4,610**	**18,229**	**25,752**	**(483,916)**	**211,989**	**343,586**	**555,575**

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 shareholders' contribution/distribution reserve as at 31 December 2020 and 2021 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 and provision for general risk reserve of subsidiaries in the People's Republic of China (the "PRC").

(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 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 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK$'000	2020 HK$'000
Operating activities			
Loss before taxation		**(795,345)**	(1,356,207)
Adjustments for:			
Impairment losses under expected credit loss model	9	**18,483**	14,053
Impairment losses of goodwill and other intangible assets	18	**633,218**	1,247,492
Impairment losses of interests in associates	19	**–**	27,558
Depreciation of property, plant and equipment	12	**24,511**	16,661
Depreciation of right-of-use assets	12	**13,490**	11,801
Amortisation of intangible assets	12	**12,369**	46,254
Net loss/(gain) on disposal of property, plant and equipment	8	**2,016**	(305)
Net gain on lease modification	8	**(636)**	(41)
Fair value losses on financial assets at fair value through profit or loss ("FVTPL")	8	**498**	–
Interest income	7	**(1,196)**	(6,943)
Finance costs	10	**46,519**	52,780
Gain on step acquisition of a subsidiary	8	**(3,697)**	–
Share of results of associates	19	**(25,097)**	(22,648)
Loss on fair value change of contingent consideration payable	8	**–**	8,149
Equity-settled share-based payment expenses		**25,752**	–
Transaction costs on issue of convertible bonds		**81**	–
Operating cash flows before movements in working capital		**(49,034)**	38,604
(Increase)/decrease in inventories		**(3,783)**	10,331
(Increase)/decrease in trade and other receivables		**(23,843)**	192,802
Decrease in restricted bank deposits		**138,944**	101,558
Decrease in trade and other payables		**(42,479)**	(448,101)
Cash generated from/(used in) operations		**19,805**	(104,806)
Income tax paid		**(9,993)**	(11,873)
Net cash generated from/(used in) operating activities		**9,812**	(116,679)
Investing activities			
Payments for purchases of property, plant and equipment		**(52,097)**	(50,964)
Payments for purchase of intangible assets		**–**	(94)
Net cash inflow on step acquisition of a subsidiary	34	**26,536**	–
Dividends received from an associate	19	**13,500**	68,479
Interest received		**1,196**	6,943
Proceeds from disposal of property, plant and equipment		**42**	6,152
Payment for purchase of financial assets at FVTPL		**(55,307)**	–
Proceeds from disposal of financial assets at FVTPL		**42,803**	–
Net cash (used in)/generated from investing activities		**(23,327)**	30,516
Financing activities			
Interest paid		**(39,565)**	(36,352)
Repayments of lease liabilities	39	**(14,883)**	(12,226)
Repayments of promissory notes payable	39	**(19,081)**	(74,466)
Net proceeds from issue of shares		**28,496**	49,867
New bank and other borrowings raised		**69,341**	–
Repayment of bank and other borrowings		**(50,308)**	(50,234)
Proceeds on issue of convertible bonds	39	**44,947**	–
Net cash generated from/(used in) financing activities		**18,947**	(123,411)
Net increase/(decrease) in cash and cash equivalents		**5,432**	(209,574)
Cash and cash equivalents at the beginning of the year		**227,878**	420,058
Effect of foreign exchange rate changes		**4,706**	17,394
Cash and cash equivalents at end of the year		**238,016**	227,878

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"). Its ultimate controlling party is Mr. Li Xiao Ru.

The Company is an investment holding company. Particulars of the Company's principal subsidiaries are set out in Note 45. 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 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 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of 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 not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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 of Hong Kong Limited ("Listing Rules") and by the disclosure requirements of 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").

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

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

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

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

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

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.

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

3.2 Basis of consolidation *(Continued)*

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.

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.

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

3.3 Business combinations *(Continued)*

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.

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 lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

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 one or more additional 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. The associated non-lease components are included in the respective lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

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

3.7 Leases *(Continued)*

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.

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

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.

3.9 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.

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

3.9 Intangible assets *(Continued)*

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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 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

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.

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

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 FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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.

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)

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.

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, net” line item.

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

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.

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.

(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.

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 (Continued)

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.

(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. 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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments/receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

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.

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

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

3.12 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition of financial liabilities

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

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 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 Share-based payments

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits/accumulated losses.

Shares/Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

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

3.15 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.

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)*

3.16 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.

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

3.17 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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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)*

3.18 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".

3.19 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.

3.20 Contingent assets/liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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

3.21 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.

3.22 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.

3.23 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 — Supplier relationship, trademarks and license assessed to have indefinite useful lives

The Group regarded and assessed its supplier relationship, 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 supplier relationship, 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 are impaired requires an estimation of the recoverable amount of the cash-generating unit (or 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 value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2021, the carrying amount of goodwill and other intangible assets is HK$376,292,000 (2020: HK$626,681,000) (net of accumulated amortisation and impairment of HK$1,988,506,000 (2020: HK$1,316,945,000)). Details of the recoverable amount calculation are disclosed in note 18.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

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 41.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Deferred tax asset

As at 31 December 2021, a deferred tax asset of approximately HK$7,857,000 (2020: Nil) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Valuation of the embedded derivatives in convertible bonds

The fair value for the embedded derivatives in convertible bonds is established by using valuation techniques. The valuation model is sensitive to changes in certain key inputs including volatility of share prices, risk-free rate and dividend yield that require significant management estimates. Any changes in the estimates and assumptions will affect the fair values of the embedded derivatives in convertible bonds. The carrying amount of embedded derivatives is disclosed in note 30.

Fair value of share-based payment

The share-based payment expenses are measured based on the fair value of the share rewards as calculated under the Black-Scholes or binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares granted to directors, employees and consultant. The key assumptions used to determine the fair value of the share unit awards at the grant date include share prices, volatility of share prices and risk-free rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of share-based payment expenses the Group recognise in the consolidated financial statements.

5 REVENUE

	2021 **HK$'000**	2020 HK$'000
Disaggregation of revenue from contracts with customers within the scope of HKFRS 15:		
Provision of big data services		
— Data analytics services	**172,835**	–
Provision of third-party payment services		
— Commission income	**24,215**	250,894
— Fintech enabling service income	**–**	33,498
— Others	**2,514**	6,912
	26,729	291,304
Sales of goods		
— Liquid coatings	**348,470**	300,857
— Powder coatings	**60,124**	29,907
	408,594	330,764
	608,158	622,068

5 REVENUE *(Continued)*

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

Provision of big data services

The revenue of the Group from provision of big data services is recognised at a point in time. The Group provides data analytics services to customers on a transactional basis. The services provided by the Group are price defined, and the revenue on usage-based subscription contracts with a defined price but an undefined quantity is recognised when the service is provided and billed.

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

The revenue of the Group from sales of goods is recognised at a point in time. 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.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for coating products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of coating products that had an original expected duration of one year or less.

6 OPERATING SEGMENTS

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

The CODM consider 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 review 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.

Big data services	— Provision of big data services
Third-party payment services	— Provision of third-party payment services
Coatings	— Manufacturing and trading of coatings

Segment revenues and results

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

Year ended 31 December 2021

	Big data services HK$'000	Third-party payment services HK$'000	Coatings HK$'000	Total HK$'000
REVENUE				
Segment revenue and external revenue (Point in time)	**172,835**	**26,729**	**408,594**	**608,158**
RESULTS				
Segment profits/(losses)	**17,664**	**(691,419)**	**43,992**	**(629,763)**
Interest income				**1,196**
Unallocated corporate other income				**6,199**
Unallocated corporate expenses				**(151,017)**
Unallocated corporate other gains and losses, net				**(538)**
Finance costs				**(46,519)**
Share of results of associates				**25,097**
Loss before taxation				**(795,345)**
Income tax credit				**162,072**
Loss for the year				**(633,273)**

6 OPERATING SEGMENTS *(Continued)*

Segment revenues and results *(Continued)*

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

Year ended 31 December 2020

	Big data services HK$'000 (Re-presented)	Third-party payment services HK$'000 (Re-presented)	Coatings HK$'000 (Re-presented)	Total HK$'000 (Re-presented)
REVENUE				
Segment revenue and 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)

Segment profits/(losses) 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, central administration cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, loss on fair value change of contingent consideration payable, share-based payment, 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

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

As at 31 December 2021

	Big data services HK$'000	Third-party payment services HK$'000	Coatings HK$'000	Total HK$'000
ASSETS				
Segment assets	534,337	565,916	472,692	1,572,945
Unallocated assets				216,873
				1,789,818
LIABILITIES				
Segment liabilities	95,322	252,968	596,674	944,964
Unallocated liabilities				289,279
				1,234,243
OTHER INFORMATION				
Additions to non-current assets *(Note)*				
— Allocated	418,581	4,469	34,936	457,986
— Unallocated				1,854
				459,840
Depreciation and amortisation				
— Allocated	9,150	16,507	23,641	49,298
— Unallocated				1,072
				50,370
Impairment losses of goodwill and other intangible assets recognised in profit or loss	1,624	631,594	–	633,218
Impairment losses on trade and other receivables recognised/(reversed) in profit or loss	1,830	17,247	(594)	18,483
Interests in associates	–	–	168,068	168,068
Interest income				
— Allocated	71	236	887	1,194
— Unallocated				2
				1,196
Interest expense				
— Allocated	561	608	35,810	36,979
— Unallocated				9,540
				46,519
Income tax expense/(credit)	551	(162,679)	56	(162,072)

6 OPERATING SEGMENTS *(Continued)*

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

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

As at 31 December 2020

	Big data services HK$'000 (Re-presented)	Third-party payment services HK$'000 (Re-presented)	Coatings HK$'000 (Re-presented)	Total HK$'000 (Re-presented)
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 recognised in profit or loss	–	1,247,492	–	1,247,492
Impairment losses on trade and other receivables recognised in profit or loss, net of reversal	–	12,729	1,324	14,053
Interests in associates				
— Allocated	–	–	153,051	153,051
— Unallocated				108,750
				261,081
Interest income				
— Allocated	–	6,083	849	6,932
— Unallocated				11
				6,943
Interest expense				
— Allocated	–	2,063	35,797	37,860
— Unallocated				14,920
				52,780
Income tax (credit)/expense	–	(234,157)	815	(233,342)

6 OPERATING SEGMENTS *(Continued)*

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

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 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.

Revenue from major customers

No single customer contributed to 10% or more of the Group's total revenue for the years ended 31 December 2021 and 2020.

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.

	2021 HK$'000	2020 HK$'000
The PRC	**579,539**	792,037
Vietnam	**41,200**	34,702
Others	**5,358**	7,297
	626,097	834,036

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

	2021 HK$'000	2020 HK$'000
Royalty fee income	**11,280**	12,765
Management fee income	**2,600**	4,377
Rental income	**3,599**	3,681
Transportation fee income	**5,600**	5,666
Interest income	**1,196**	6,943
	24,275	33,432

8 OTHER GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
Net (loss)/gain on disposal of property, plant and equipment	**(2,016)**	305
Net exchange loss	**(2,523)**	(2,264)
Net gain on lease modification	**636**	41
Loss on fair value change of contingent consideration payable	**–**	(8,149)
Loss on fair value change of financial assets at fair value through profit or loss	**(498)**	–
Government grants *(Note)*	**3,091**	6,130
Gain on step acquisition of a subsidiary	**3,697**	–
Others	**2,836**	2,472
	5,223	(1,465)

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

	2021 HK$'000	2020 HK$'000
Impairment losses recognised/(reversed) on:		
— Trade receivables	**7,748**	15,803
— Other receivables and deposits	**10,735**	(1,750)
	18,483	14,053

Details of impairment assessment are set out in note 41.

10 FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowing and other borrowing	**39,565**	36,448
Interest on lease liabilities	**2,014**	1,673
Effective interest expense on convertible bonds *(Note 30)*	**135**	–
Imputed interest on promissory notes payable *(Note 28)*	**4,805**	14,659
	46,519	52,780

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$'000 *(Note ii)*	Ms. Liu Rong Rong HK$'000	Mr. Gu Zhongli HK$'000 *(Note iii)*	Mr. Charles Simon HK$'000 *(Note iii)*	Mr. Jin Peiyi HK$'000 *(Note iv)*	Mr. Kong Muk Yin HK$'000 *(Note v)*	Ms. Zuo Yi HK$'000 *(Note vi)*	Mr. Li Gong HK$'000	Mr. Wang Jianping HK$'000 *(Note vii)*	Dr. Shi Ping HK$'000	Ms. Xu Yanqiong HK$'000 *(Note viii)*	Total HK$'000
Year ended 31 December 2021												
Fee	-	-	-	-	-	-	-	180	180	180	-	540
Salaries and other benefits	8,121	1,337	1,925	250	250	-	-	-	-	-	-	11,883
Discretionary bonuses *(Note i)*	-	180	161	21	21	-	-	-	-	-	-	383
Retirement benefit scheme contributions	11	18	8	8	8	-	-	-	-	-	-	53
Share-based payments	-	7,457	-	-	-	-	-	746	746	746	-	9,695
	8,132	8,992	2,094	279	279	-	-	926	926	926	-	22,554
Year ended 31 December 2020												
Fee	-	-	-	-	-	3	171	180	180	180	-	714
Salaries and other benefits	15,937	1,325	-	-	-	-	-	-	-	-	-	17,262
Discretionary bonuses *(Note i)*	900	180	-	-	-	-	-	-	-	-	-	1,080
Retirement benefit scheme contributions	18	18	-	-	-	-	-	-	-	-	-	36
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
	16,855	1,523	-	-	-	3	171	180	180	180	-	19,092

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) Dr. Li Zhong Yuan resigned as the executive director of the Company on 30 July 2021.

(iii) Mr. Gu Zhongli and Mr. Charles Simon were appointed as the executive directors of the Company on 15 July 2021.

(iv) Mr. Jin Peiyi was appointed as the executive director of the Company on 30 July 2021.

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

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

(vii) Mr. Wang Jianping resigned as independent non-executive director of the Company on 28 December 2021.

(viii) Ms. Xu Yanqiong was appointed as independent non-executive director of the Company on 28 December 2021.

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 three directors (2020: two directors) and whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining two (2020: three) highest paid employee who are not the directors of the Company, are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	**3,016**	5,182
Discretionary bonus	**1,948**	115
Retirement benefit scheme contributions	**159**	248
Share-based payments	**6,098**	–
	11,221	5,545

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

	2021 Number of individuals	2020 Number of individuals
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$7,500,001 to HK$8,000,000	**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 BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**3,080**	2,800
Directors' emoluments *(Note 11)*:		
— Fee	**540**	714
— Salaries and other benefits	**11,883**	17,262
— Discretionary bonuses	**383**	1,080
— Retirement benefit scheme contributions	**53**	36
— Share-based payment	**9,695**	–
	22,554	19,092
Other staff costs:		
— Salaries and other benefits	**146,144**	126,539
— Retirement benefit scheme contributions	**14,345**	5,596
— Share-based payment	**6,819**	–
Total staff costs	**189,862**	151,227
Depreciation of property, plant and equipment *(Note 16)*	**24,511**	16,661
Depreciation of right-of-use assets *(Note 17)*	**13,490**	11,801
Amortisation of intangible assets *(Note 18)*	**12,369**	46,254
Total depreciation and amortisation	**50,370**	74,716
Cost of inventories recognised as an expense (included in cost of sales)	**280,772**	223,561
Donation	**1,890**	2,647

13 INCOME TAX CREDIT

	2021 **HK$'000**	2020 HK$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	**1,739**	1,182
Over-provision in prior years	**(207)**	(272)
	1,532	910
PRC Enterprise Income Tax:		
Current year	**319**	8,988
Over-provision in prior years	**(1,835)**	(1,761)
	(1,516)	7,227
Deferred tax *(Note 21)*	**(162,088)**	(241,479)
Taxation credit	**(162,072)**	(233,342)

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 introduced 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") and 聯洋國融(北京)科技有限公司 (Lian Yang Guo Rong (Beijing) Science and Technology Co., Ltd.*) ("LYGR (Beijing)"). Manfield GZ obtained qualification as a high and new technology enterprise on 10 October 2015 and 28 November 2018, 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 20 December 2021. Hence, Manfield GZ is subject to the preferential tax treatment and the applicable tax rate for the year ended 31 December 2021 is 15% (2020: 15%). LYGR (Beijing) obtained qualification as a high and new technology enterprise on 25 October 2021, which is valid for three years. Hence, LYGR (Beijing) is subject to the preferential tax treatment and the applicable tax rate for the year ended 31 December 2021 is 15%.

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

13 INCOME TAX CREDIT *(Continued)*

The taxation credit for the year can be reconciled to the loss before taxation as follows:

	2021 HK$'000	2020 HK$'000
Loss before taxation	**(795,345)**	(1,356,207)
Less: Share of results of associates	**(25,097)**	(22,648)
	(820,442)	(1,378,855)
Taxation at Hong Kong Profits Tax rate of 16.5%	**(135,373)**	(227,511)
Tax effect of expenses not deductible for tax purposes	**14,757**	15,503
Tax effect of income not taxable for tax purposes	**(1,678)**	(435)
Tax effect of tax losses not recognised	**29,337**	7,016
Utilisation of tax losses previously not recognised	**(879)**	(13)
Effect of different tax rates of subsidiaries operating in the PRC	**(53,460)**	(24,172)
Effect of two-tiered tax rates in Hong Kong	**(165)**	(165)
Effect of income tax on concessionary rate in the PRC	**–**	(24)
Over-provision in prior years	**(2,042)**	(2,033)
Additional deduction for research and development expense	**(12,817)**	(1,660)
Others	**248**	152
Taxation credit for the year	**(162,072)**	(233,342)

14 DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed after the end of reporting period.

15 LOSS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Loss for the year attributable to owners of the Company	**(238,682)**	(627,682)

	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**722,924**	672,114

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and share options since their assumed exercise would result in a decrease in loss per share.

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 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 and 1 January 2021	**123,411**	**50,835**	**43,402**	**8,907**	**35,281**	**39,515**	**301,351**
Additions	**–**	**5,633**	**20,283**	**1,631**	**834**	**23,716**	**52,097**
Acquired on step acquisition of a subsidiary *(Note 34)*	**–**	**–**	**5,461**	**578**	**–**	**–**	**6,039**
Disposals	**(2,304)**	**–**	**(2,003)**	**(3,417)**	**(4,223)**	**–**	**(11,947)**
Transfer	**24,226**	**–**	**10,384**	**–**	**–**	**(34,610)**	**–**
Exchange adjustments	**2,573**	**751**	**2,142**	**464**	**1,643**	**490**	**8,063**
At 31 December 2021	**147,906**	**57,219**	**79,669**	**8,163**	**33,535**	**29,111**	**355,603**
Depreciation							
At 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 and 1 January 2021	**59,771**	**39,467**	**34,144**	**5,289**	**28,598**	**–**	**167,269**
Provided for the year *(Note 12)*	**5,272**	**4,564**	**8,701**	**1,966**	**4,008**	**–**	**24,511**
Eliminated on disposals	**(1,497)**	**–**	**(1,873)**	**(2,930)**	**(3,589)**	**–**	**(9,889)**
Exchange adjustments	**1,110**	**603**	**1,106**	**425**	**1,435**	**–**	**4,679**
At 31 December 2021	**64,656**	**44,634**	**42,078**	**4,750**	**30,452**	**–**	**186,570**
Carrying amount							
At 31 December 2020	63,640	11,368	9,258	3,618	6,683	39,515	134,082
At 31 December 2021	**83,250**	**12,585**	**37,591**	**3,413**	**3,083**	**29,111**	**169,033**

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%

17 RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
Carrying amount			
At 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 and 1 January 2021	**42,654**	**30,619**	**73,273**
Additions	**–**	**7,920**	**7,920**
Acquired on step acquisition of a subsidiary *(Note 34)*	**–**	**19,364**	**19,364**
Provided for the year *(Note 12)*	**(1,129)**	**(12,361)**	**(13,490)**
Reassessment	**–**	**(11,303)**	**(11,303)**
Exchange adjustments	**1,189**	**3,819**	**5,008**
At 31 December 2021	**42,714**	**38,058**	**80,772**

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 (2020: 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 of approximately HK$5,527,000 are still in the process of applying the title certificates.

During the year ended 31 December 2021, the expense relating to short term leases and total cash outflow for leases amounted to approximately HK$199,000 (2020: HK$1,062,000) and HK$14,883,000 (2020: HK$12,226,000).

The Group has extension options in a number of leases for offices (2020: 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.

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

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 2021 HK\$'000	**Potential future lease payments not included in lease liabilities (undiscounted) 31 December 2021 HK\$'000**	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
Offices	**1,602**	**7,570**	2,726	8,047

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 2021, there is no such triggering event (2020: Nil).

18 INTANGIBLE ASSETS

	Goodwill HK\$'000	Computer software HK\$'000	Trademarks HK\$'000	Technology HK\$'000	Licenses HK\$'000	Distribution network HK\$'000	Supplier relationship HK\$'000	Total HK\$'000
Cost								
At 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 and 1 January 2021	**338,250**	**15,665**	**203,660**	**106,939**	**1,048,598**	**230,514**	**–**	**1,943,626**
Acquired on step acquisition of a subsidiary *(Note 34)*	**114,545**	**21,346**	**–**	**–**	**–**	**–**	**238,529**	**374,420**
Exchange adjustments	**–**	**1,239**	**5,263**	**2,763**	**27,097**	**5,957**	**4,433**	**46,752**
At 31 December 2021	**452,795**	**38,250**	**208,923**	**109,702**	**1,075,695**	**236,471**	**242,962**	**2,364,798**
Amortisation and impairment								
At 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 and 1 January 2021	**338,250**	**6,496**	**121,287**	**75,941**	**624,481**	**150,490**	**–**	**1,316,945**
Provided for the year *(Note 12)*	**–**	**3,310**	**–**	**4,360**	**–**	**4,699**	**–**	**12,369**
Impairment losses recognised	**–**	**8,968**	**84,501**	**27,362**	**435,076**	**77,311**	**–**	**633,218**
Exchange adjustments	**–**	**691**	**3,135**	**2,039**	**16,138**	**3,971**	**–**	**25,974**
At 31 December 2021	**338,250**	**19,465**	**208,923**	**109,702**	**1,075,695**	**236,471**	**–**	**1,988,506**
Carrying amount								
At 31 December 2020	–	9,169	82,373	30,998	424,117	80,024	–	626,681
At 31 December 2021	**114,545**	**18,785**	**–**	**–**	**–**	**–**	**242,962**	**376,292**

(Expressed in Hong Kong dollars)

18 INTANGIBLE ASSETS *(Continued)*

The above intangible assets other than goodwill, supplier relationship, 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 supplier relationship, licenses and trademarks have a legal life of 5 years per contract, 5 years and 10 years but are renewable every year, 5 years and 10 years, respectively, at minimal cost. The Directors are of the opinion that the Group would renew the supplier relationship, 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 supplier relationship, licenses and trademarks have no foreseeable limit to the period over which the supplier relationship, licenses and trademarked products are expected to generate net cash flows for the Group.

As a result, supplier relationship, 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 supplier relationship, 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.

Mao Hong CGU

On 9 August 2019, the Group 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 Group 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 Price/Sales ("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.

18 INTANGIBLE ASSETS *(Continued)*

Mao Hong CGU *(Continued)*

The following table shows the details 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)

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 and HK$909,242,000 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". The net effect (net of a deferred tax credit of approximately HK$227,310,000) to the consolidated statement of profit or loss was approximately HK$1,020,182,000.

得仕股份有限公司 (Day's Enterprise Company Limited*) ("Days Services"), an indirect non-wholly owned subsidiary of the Company and a major operating company under Mao Hong CGU, holds a licence issued by the People's Bank of China (the "PBOC") authorising the provision of third-party payment services in the PRC (the "Payment License") which expired on 28 August 2021. An application had been made for a renewal of the Payment License. On 29 August 2021, Days Services was informed that the PBOC had decided to suspend the review process pending further clarification and/or verification of certain information in relation to Days Services' suitability to continue to be a licensee, and will resume the review process of the renewal afterwards. In the meantime, Days Services has obtained confirmation from the PBOC that Days Services is permitted to conduct its business as usual in order to avoid any undue disruptions to its customers and the financial market. Hence, the further impairment losses of intangible assets relation to Mao Hong CGU amounting to approximately HK$631,594,000 were incurred. The net effect (net of a deferred tax credit of approximately HK$156,063,000) to the consolidated statement of profit or loss was approximately HK$475,531,000.

As at 31 December 2021, all intangible assets (including goodwill) in relation to Mao Hong CGU had been fully written off.

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

(Expressed in Hong Kong dollars)

18 INTANGIBLE ASSETS *(Continued)*

LYGR CGU

On 11 February 2021, the Group entered into a sale and purchase agreement with a shareholder of Lian Yang Guo Rong Holdings Limited ("LYGR"), pursuant to which the Group agreed to purchase additional 23.33% of the equity interest in LYGR for a consideration of approximately HK$93,294,000. Upon the completion date of 2 June 2021, LYGR became a 54.22% indirectly owned subsidiary of the Company. As a result of purchase price allocation, the Group recognised a goodwill of approximately HK$114,545,000 and other intangible assets of approximately HK$259,875,000 from this acquisition during the year ended 31 December 2021.

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

The recoverable amount of the LYGR CGU was determined based on a value in use calculation. The value in use calculation was determined with reference to the valuation report prepared by an independent external professional qualified valuer. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 20.0%. Cash flows beyond the 5-year period are extrapolated using 2.0% average growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Management has performed sensitivity analysis and believes that a reasonably possible change in any of these assumptions would not cause the carrying amount of LYGR CGU to exceed the recoverable amount of LYGR CGU.

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

Average revenue growth rate of LYGR CGU between the Financial Year ("FY") of 2022 and FY2026	65.9%
Gross profit margin of LYGR CGU between FY2022 and FY2026	67.8%–72.1%
Net profit margin of LYGR CGU between FY2022 and FY2026	6.5%–16.8%
Terminal growth rate	2.0%
Pre-tax discount rate	20.0%

During the year ended 31 December 2021, based on management's assessment on the recoverable amount of approximately HK$683,039,000 of the LYGR CGU, there are no impairment losses consider to the LYGR CGU.

19 INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Cost of investments in associates, unlisted	**513**	142,932
Accumulated share of post-acquisition profits/losses and other comprehensive income, net of dividends received	**167,555**	146,427
Impairment losses recognised	**–**	(27,558)
	168,068	261,801
Share of results of associates during the year	**25,097**	22,648

As at 31 December 2020, the cost of investments in associates included goodwill of associates of approximately HK$97,184,000.

Set out below are the associates of the Group as at 31 December 2021 and 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 2021	2020	Principal activities
Cashew Manfield Holding Limited (formerly known as CMW Holding Limited) ("CM Holding")	Limited liability company	Hong Kong	HK$500,000	**45%**	45%	Manufacturing and trading of coatings
LYGR *(Note)*	Limited liability company	Cayman Islands	US$30,750	**N/A**	30.89%	Provision of information and data services

Note: On 10 September 2019, the Company entered into a share purchase and subscription agreement (the "LYGR 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 "LYGR Vendors") and LYGR, the terms and conditions of the LYGR Share Purchase and Subscription Agreement included:

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

(ii) LYGR 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 "LYGR Acquisition").

Upon completion of LYGR Acquisition on 31 December 2019, the Company's equity interest in LYGR was 30.89% and LYGR 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 LYGR Acquisition was approximately HK$142,419,000.

During the year ended 31 December 2021, LYGR ceased to be an associate of the Group and has become a subsidiary of the Company. On 2 June 2021, the Group completed an additional investment of 23.33% in LYGR, through acquiring from an existing shareholder of LYGR at an aggregate consideration of approximately HK$93,294,000 ("LYGR Second Acquisition"). Upon completion of the LYGR Second Acquisition, the Group held equity interest of 54.22% in LYGR and LYGR has become an indirect non-wholly owned subsidiary of the Company thereafter. Details of the LYGR Second Acquisition are disclosed in note 34.

19 INTERESTS IN ASSOCIATES *(Continued)*

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 2021 and 2020 respectively.

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) CM Holding

	2021 HK$'000	2020 HK$'000
As at 31 December		
Current assets	**462,936**	449,936
Non-current assets	**41,367**	41,657
Current liabilities	**(119,365)**	(135,480)
Non-current liabilities	**(12,212)**	(16,764)
Net assets	**372,726**	339,349
For the year ended 31 December		
Revenue	**688,251**	623,318
Profit for the year	**54,477**	64,403
Other comprehensive income for the year	**8,900**	20,700
Total comprehensive income for the year	**63,377**	85,103
The Group's share of results of an associate for the year	**24,515**	28,981
The Group's share of other comprehensive income for the year	**4,005**	9,315
Dividends paid to the Group	**(13,500)**	(68,479)

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

	2021 HK$'000	2020 HK$'000
Net assets of CM Holding	**372,726**	339,349
Proportion of the Group's ownership interest in CM Holding	**45%**	45%
Carrying amount of the Group's interest in CM Holding	**167,727**	152,707

19 INTERESTS IN ASSOCIATES *(Continued)*

(ii) LYGR

	2021 HK$'000	2020 HK$'000
As at 31 December		
Current assets	**N/A**	58,114
Non-current assets	**N/A**	16,911
Current liabilities	**N/A**	(47,458)
Net assets	**N/A**	27,567
For the year ended 31 December		
Revenue	**50,651**	27,410
Profit/(loss) for the year attributable to owners of the Company	**1,929**	(20,651)
Other comprehensive income for the year attributable to owners of the Company	**277**	866
Total comprehensive income/(expense) for the year attributable to owners of the Company	**2,206**	(19,785)
The Group's share of results of an associate for the year	**595**	(6,379)
The Group's share of other comprehensive income for the year	**86**	268
Dividends paid to the Group	**–**	–

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

	2020 HK$'000
Net assets of LYGR	27,567
Non-controlling interests	9,875
	37,442
Proportion of the Group's ownership interest in LYGR	30.89%
Group's share of net assets of LYGR	11,566
Goodwill	124,742
Impairment losses recognised	(27,558)
Carrying amount of the Group's interest in LYGR	108,750

19 INTERESTS IN ASSOCIATES *(Continued)*

(ii) LYGR *(Continued)*

In the prior year, the Group held a 30.89% equity interest in LYGR and accounted for the investment as an associate. In June 2021, the Group deemed disposed of a 30.89% equity interest in LYGR since LYGR become a subsidiary. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	2021 **HK$'000**
Fair value of 30.89% equity interest in LYGR at the date of deemed disposal *(Note 34)*	**113,128**
Less: carrying amount of 30.89% equity interest in LYGR	**(109,431)**
Gain on step acquisition of a subsidiary	**3,697**

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

	For the year ended 31 December	
	2021 **HK$'000**	2020 HK$'000
The Group's share of results of associates for the year	**(13)**	46
The Group's share of other comprehensive income for the year	**10**	21

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
Aggregate carrying amount of the Group's interests in these associates	**341**	344

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Unlisted equity investment	**–**	544
Financial products	**17,659**	–
	17,659	544
Analysed for reporting purpose as:		
Non-current assets	**–**	544
Current assets	**17,659**	–
	17,659	544

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$'000	Temporary difference of property, plant and equipment HK$'000	ECL provision of trade and other receivables HK$'000	Unused tax losses HK$'000	Total HK$'000
At 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 and 1 January 2021	**(154,378)**	**–**	**5,460**	**–**	**(148,918)**
Step acquisition of a subsidiary *(Note 34)*	**(38,717)**	**(1,304)**	**427**	**7,032**	**(32,562)**
Credit to profit or loss *(Note 13)*	**158,570**	**(930)**	**4,198**	**250**	**162,088**
Exchange adjustments	**(4,662)**	**(557)**	**352**	**575**	**(4,292)**
At 31 December 2021	**(39,187)**	**(2,791)**	**10,437**	**7,857**	**(23,684)**

	2021 HK$'000	2020 HK$'000
For presentation purpose:		
Deferred tax assets	**18,294**	5,460
Deferred tax liabilities	**(41,978)**	(154,378)
	(23,684)	(148,918)

As at 31 December 2021, the Group had unused tax losses of approximately HK$51,855,000 (2020: HK$25,043,000) available for offset against future profits. Tax losses of approximately HK$Nil (2020: HK$189,000) have expired during the year ended 31 December 2021. 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:

	2021 HK$'000	2020 HK$'000
2021	**–**	34
2022	**7,119**	9,818
2023	**4,982**	6,489
2024	**4,672**	4,346
2025	**4,770**	4,356
2026	**30,312**	–
	51,855	25,043

21 DEFERRED TAXATION *(Continued)*

As at 31 December 2021, the Group has other deductible temporary differences of approximately HK$3,677,000 (2020: HK$4,168,000), 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 2021, 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$93,312,000 (2020: HK$90,886,000), 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

	2021 HK$'000	2020 HK$'000
Raw materials	24,206	21,155
Work in progress	8,043	6,880
Finished goods	11,005	10,310
	43,254	38,345

23 TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	286,547	189,634
Less: loss allowance on trade receivables	(33,427)	(23,431)
	253,120	166,203
Bills receivables	8,830	11,147
Total trade and bills receivables	261,950	177,350
Other receivables, deposits and prepayments		
— Trade deposits paid to merchants	129,322	154,250
— Receivable from the clearing houses for third-party payment services	3,024	6,047
— Other receivables and prepayments	59,763	44,493
Total trade and other receivables	454,059	382,140

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.

23 TRADE AND OTHER RECEIVABLES *(Continued)*

	2021 HK$'000	2020 HK$'000
0–30 days	**71,187**	32,412
31–60 days	**52,291**	27,297
61–90 days	**26,332**	18,153
91–180 days	**38,353**	20,249
Over 180 days	**73,787**	79,239
	261,950	177,350

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$168,110,000 (2020: HK$131,764,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$94,178,000 (2020: HK$99,656,000) 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 2021, 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$5,116,000 (2020: HK$311,000) and approximately HK$868,000 (2020: HK$4,148,000) respectively.

As at 31 December 2021, included in other receivables, there were amounts due from a subsidiary of an associate, an associate and a related company of approximately HK$6,200,000 (2020: HK$13,980,000), approximately HK$2,038,000 (2020: HK$1,460,000) and approximately HK$135,000 (2020: Nil) 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 2021 are set out in note 41.

24 RESTRICTED BANK DEPOSITS

	2021 **HK$'000**	2020 HK$'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)*	**215,664**	334,379
Maintained for merchants as performance guarantee deposits	**1,162**	11,252
Maintained as reserve deposits to secure the Group's use of online business to business payment platforms provided by the banks	**3,317**	3,220
Maintained as reserve deposits to the general risk reserve funds as governed by the PRC government	**1,239**	1,200
	221,382	350,051

Note: These restricted deposits are maintained to fulfil the requirements as per announcement of the PBOC (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 2021, the bank balances carry interest at prevailing market rates of 0.01%–0.35% (2020: 0.01%–0.35%) per annum.

26 TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**119,833**	46,415
Accrued staff cost	**20,063**	16,988
Payables to merchants	**66,174**	85,968
Unutilised float funds *(Note)*	**129,037**	200,058
Other payables and accruals	**102,603**	52,536
	437,710	401,965

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 (2020: 30–180 days). The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
0–30 days	**93,121**	32,679
31–60 days	**13,572**	5,785
61–90 days	**3,425**	928
Over 90 days	**9,715**	7,023
	119,833	46,415

As at 31 December 2021, included in trade payables, there were trade payables due to a subsidiary of an associate of approximately HK$80,000 (2020: HK$7,000).

As at 31 December 2021, included in other payables, there were amounts due to a subsidiary of an associate and related companies of approximately HK$20,000 (2020: Nil) and approximately HK$23,510,000 (2020: Nil). The amounts are unsecured, interest-free and repayable on demand.

27 LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**12,587**	11,279
Within a period of more than one year but not more than two years	**9,105**	10,658
Within a period of more than two years but not more than five years	**15,962**	9,123
Within a period of more than five years	**1,797**	1,110
	39,451	32,170
Less: Amount due for settlement with one year shown under current liabilities	**(12,587)**	(11,279)
Amount due for settlement after one year shown under non-current liabilities	**26,864**	20,891

28 PROMISSORY NOTES PAYABLE

	First Promissory Note HK$'000	Second Promissory Note HK$'000	Total HK$'000
At 1 January 2020	9,391	–	9,391
Issuance of promissory note *(Note)*	–	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 and 1 January 2021	**–**	**163,579**	**163,579**
Imputed interest	**–**	**4,805**	**4,805**
Repayment of promissory note	**–**	**(19,081)**	**(19,081)**
At 31 December 2021	**–**	**149,303**	**149,303**

	2021 HK$'000	2020 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**149,303**	–
Non-current liabilities	**–**	163,579
	149,303	163,579

Note:

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. As at 31 December 2021, the outstanding principal amount of the Second Promissory Note was approximately HK$146,385,000 (2020: HK$165,467,000). In March 2022, the Group entered into an agreement with the note holder to extend the maturity date of the Second Promissory Note to the earlier of (a) the day the note holder demands payment and (b) 24 June 2022.

29 BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured		
— Bank borrowing *(Note (i))*	**8,559**	–
— Other borrowing *(Note (ii))*	**500,000**	500,000
Unsecured		
— Bank borrowing	**–**	–
— Other borrowing *(Note (iii))*	**10,474**	–
	519,033	500,000
Less: Amount due for settlement within one year shown under current liabilities	**(19,033)**	(500,000)
Amount due for settlement after one year shown under non-current liabilities	**500,000**	–

Notes:

(i) As at 31 December 2021, the Group had fixed-rate bank borrowing of RMB7,000,000 (equivalent to approximately HK$8,559,000) (2020: Nil), which was denominated in Renminbi ("RMB") and carried interest at 5% per annum (2020: Nil). The bank borrowing was secured by the personal guarantees and is repayable on 20 May 2022.

(ii) As at 31 December 2021 and 2020, the Group had fixed-rate other borrowing of HK$500,000,000 (2020: HK$500,000,000), which was denominated in HK$ and carried an interest rate of 7% per annum (2020: 7% per annum) and is repayable on 29 November 2023 (2020: 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.

(iii) As at 31 December 2021, the Group had three fixed-rate other borrowings totalling of HK$10,474,000 (2020: Nil), which were all denominated in HK$ and carried interest at 1.5% per month (2020: Nil). The borrowings were unsecured and repayable in 2022.

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

	2021 HK$'000	2020 HK$'000
Within one year	**19,033**	500,000
Within a period more than one year but not exceeding two years	**500,000**	–
	519,033	500,000

30 CONVERTIBLE BONDS

On 22 December 2021 (the "Issue Date"), the Company issued convertible bonds in an aggregate principal amount of HK$46,000,000 (the "Convertible Bonds") in Hong Kong with a coupon rate of 6.0% per annum and a maturity of 18 months. The conversion period is the thirtieth day up to the seventh day prior to 22 June 2023 (the "Maturity Date") and the price of shares to be issued in exercise of the right of conversion is initially HK$2.4 per share and the conversion price of Convertible Bonds would be adjusted accordingly when the Company distributes stock dividends, issues new shares or places new shares, distributes cash dividend.

On the Maturity Date, the Company would redeem all unconverted bonds from bondholders at the price of 106% par value of the issued Convertible Bonds.

On giving not less than 5 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), the Convertible Bonds may be redeemed by the Company in whole or in part, in single or multiple tranches, on the date specified in the optional redemption notice at 120% of their principal amount together with accrued interest to (but excluding) the optional redemption date at any time from and including the date falling 4 months from the Issue Date up to but excluding the date 13 months from the Issue Date. In accordance with the terms and conditions set out in the placing agreement, the redemption amount shall at no time exceed 50% of the total principal amount of the Convertible Bonds as at the Issue Date.

The Convertible Bonds comprise two components:

(a) Debt component was initially measured at fair value amounting to approximately HK$42,461,000. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value amounting to approximately HK$3,539,000.

The total transaction costs of approximately HK$1,053,000 that are related to the issue of the Convertible Bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The total transaction costs relating to the derivative component were charged to profit or loss in this year. Transaction costs relating to the debt component were included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

	Debt component HK$'000	Embedded derivative component HK$'000	Total HK$'000
Issue of Convertible Bonds	42,461	3,539	46,000
Transaction costs	(972)	(81)	(1,053)
Transaction costs charged into profit or loss immediately	–	81	81
Interest charge *(Note 10)*	135	–	135
As at 31 December 2021	41,624	3,539	45,163

No conversion or redemption of the Convertible Bonds has occurred up to 31 December 2021.

Binomial option pricing model is used for valuation of the derivative component. The key inputs used in the model are disclosed in note 41.

31 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 (the "SHIAC"). The Group considered that the fair value of the Put Option as at the date of exercise was insignificant.

During the year ended 31 December 2021, the Group received an arbitral award issued by the SHIAC dated 18 June 2021 in relation to the arbitration proceedings. Under the arbitral award, it was decided by SHIAC that, amongst other things, (i) Purchaser pays HK$32,830,324 to the Group to purchase 40% equity interest in Manfield Changzhou owned by the Group, (ii) within 60 days of the arbitral award, the Group pays HK$32,830,324 to purchase the 40% equity interests in Manfield Changzhou owned by the Purchaser, and (iii) the Group and the Purchaser bear 40% and 60% of the arbitration fees respectively. The overall effect of the arbitral award after set off is that the Purchaser is required to pay the Group a sum of RMB133,892.09 within 15 days of the effective date of the arbitral award, but the shareholdings of both parties in Manfield Changzhou remain unchanged.

Subsequent to the issue of the arbitral award, the Purchaser sought to assert a claim (the "Claim") that the Group is bound to repurchase the 40% equity interest owned by the Purchaser for the sum of HK$32,830,324 and sought to assert a set off against the payment it was ordered to pay to the Group.

As at 31 December 2021, the Claim is still in process. There were no movements of the fair value of the Put Option for the years ended 31 December 2021 and 2020.

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

32 SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	10,000,000,000	100,000
Issued share capital:		
At 1 January 2020	663,088,770	6,631
Issue of shares under subscription agreements *(Note (i))*	14,288,000	143
At 31 December 2020 and 1 January 2021	**677,376,770**	**6,774**
Issue of shares under subscription agreements *(Note (ii))*	**15,000,000**	**150**
Issue of shares for acquisition of a subsidiary *(Note (iii))*	**69,106,895**	**691**
At 31 December 2021	**761,483,665**	**7,615**

Notes:

(i) 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.

(ii) On 27 August 2021, the Company issued a total of 15,000,000 new ordinary shares of HK$0.01 each at the issue price of HK$2.00 per share payable in cash under a subscription agreement dated 6 August 2021 and the gross proceeds from such issues amounted to approximately HK$30,000,000. After deducting related expenses, an amount of approximately HK$28,346,000 in excess of par value was credited to share premium.

(iii) On 2 June 2021, the Company issued a total of 69,106,895 new ordinary shares of HK$0.01 each, as consideration for the step acquisition of a subsidiary. The closing market price of the Company's shares as at 2 June 2021 as quoted on the Stock Exchange was HK$1.98 per share. After deducting related expenses, an amount of approximately HK$136,141,000 in excess of par value was credited to share premium. Details are set out in note 34 to the consolidated financial statements.

33 SHARE-BASED PAYMENT TRANSACTIONS

Equity — settled share option scheme of the Company

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 30 June 2021 for the primary purpose of providing incentives to selected grantees. Under the Share Option Scheme, the directors of the Company may grant options to selected grantees, to subscribe for shares in the Company.

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 27,000,000, representing 3.6% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the 9th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of share options granted is as follows:

Date of grant	Number of options	Exercise period	Exercise price
27 July 2021	27,000,000	27 July 2021 to 26 July 2030	HK$2.056

The following table discloses movements of the Share Option Scheme during the year:

	Exercise price	Date of grant	Outstanding at 1 January 2021	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2021
Directors							
Ms. Liu Rong Rong	HK$2.056	27 July 2021	–	7,400	–	–	7,400
Mr. Li Gong	HK$2.056	27 July 2021	–	740	–	–	740
Mr. Wang Jianping *(Note)*	HK$2.056	27 July 2021	–	740	–	–	740
Dr. Shi Ping	HK$2.056	27 July 2021	–	740	–	–	740
Employees	HK$2.056	27 July 2021	–	7,380	–	–	7,380
Consultants	HK$2.056	27 July 2021	–	10,000	–	–	10,000
Total			–	27,000	–	–	27,000
Exercisable at the end of the year							27,000
Weighted average exercise price				HK$2.056	N/A	N/A	HK$2.056

Note: Mr. Wang Jianping resigned as independent non-executive director of the Company on 28 December 2021.

(Expressed in Hong Kong dollars)

33 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity — settled share option scheme of the Company *(Continued)*

The estimate fair value of the Share Option Scheme granted on 27 July 2021 are HK$25,752,000.

The fair values were calculated using the Binomial Option Pricing Model. The major inputs into the model were as follows:

Granted date	27 July 2021
Exercise price	HK$2.056
Expected volatility	50.84%
Expected life	9 years
Risk-free rate	1.01%
Expected dividend yield	0.0%

Expected volatility was determined by using the historical volatility of the comparable companies' share price over the previous 9 years. The expected life used in the model has been stated in the Share Option Scheme. The risk-free rate was referred to the Hong Kong Government Bonds Yields Curve with the term close to the option life as at the grant date.

The Group recognised a total expense of approximately HK$25,752,000 in relation to share options granted under the Share Option Scheme by the Company during the year ended 31 December 2021.

34 STEP ACQUISITION OF A SUBSIDIARY

On 11 February 2021, the Group entered into a sale and purchase agreement with a shareholder of LYGR, pursuant to which the Group agreed to purchase 23.33% of the equity interest in LYGR for a consideration of approximately HK$93,294,000. The consideration was payable by the issue of 69,106,895 new shares in the Company at the issue price of HK$1.35 each.

This LYGR Second Acquisition was completed on 2 June 2021 (the "Completion Date"). On Completion Date, LYGR became a 54.22% indirectly owned subsidiary of the Company. In accordance with HKFRSs, the Group continued to share the results of LYGR under the equity method of accounting during the period from 1 January 2021 to the Completion Date.

As at the Completion Date, the Group remeasured the fair value of its previously held 30.89% equity interest in LYGR at the Completion Date and recognised a gain of approximately HK$3,697,000 on the remeasurement of the Group's pre-existing interest in LYGR to fair value on Completion Date which has been recognised to the profit or loss and presented as "Gain on step acquisition of a subsidiary" under "Other gains and losses, net" in the consolidated statement of profit or loss.

LYGR and its subsidiaries are principally engaged in the provision of information and data services.

34 STEP ACQUISITION OF A SUBSIDIARY *(Continued)*

Fair value of net identifiable assets and liabilities of LYGR as at the date of acquisition are as follows:

	2021 Fair value HK$'000
Net assets acquired:	
Property, plant and equipment	6,039
Right-of-use assets	19,364
Intangible assets	259,875
Financial assets at fair value through profit or loss	4,826
Deferred tax assets	7,459
Amount due from a shareholder	99
Trade and other receivables	54,412
Cash and cash equivalents	26,536
Trade and other payables	(41,564)
Amount due to related companies	(24,861)
Lease liabilities	(20,770)
Tax payable	(1,642)
Deferred tax liabilities	(40,021)
Net identifiable assets at fair value	249,752
Non-controlling interests	(114,337)
Goodwill	114,545
Total consideration	249,960

The goodwill of approximately HK$114,545,000, which is not deductible for tax purposes, mainly represents the control premium paid, skills and technical talent of LYGR's workforce and the expected synergies to be achieved from integrating LYGR into the Group's existing businesses and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group has elected to measure the non-controlling interests in LYGR at its proportionate share of the acquired net identifiable assets. The amount of the non-controlling interests at the Completion Date amounted to approximately HK$114,337,000.

	2021 Fair value HK$'000
Total consideration satisfied by:	
Consideration shares *(Note)*	136,832
Fair value of previously held 30.89% equity interest in LYGR (Note 19)	113,128
	249,960

Note: As at the Completion Date, the fair value of 69,106,895 new shares would be approximately HK$136,832,000 at the closing price of HK$1.98 each.

34 STEP ACQUISITION OF A SUBSIDIARY *(Continued)*

	2021 HK$'000
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	26,536

Since the Completion Date, LYGR and its subsidiaries have contributed revenue of approximately HK$172,835,000 to the Group's revenue, and profit of approximately HK$3,737,000 to Group's loss. If the acquisition had occurred on 1 January 2021, the Group's revenue and loss would have been approximately HK$658,809,000 and HK$630,665,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future performance.

35 COMMITMENTS

(a) Capital commitments

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,768**	6,086

(b) Other commitments

	2021 HK$'000	2020 HK$'000
Proposed purchase of land contracted for but not provided in the consolidated financial statements *(Note)*	**7,183**	6,978

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. 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 2020 and 2021, equivalent to approximately HK$1,491,000 and HK$1,535,000 respectively. The acquisition of Parcel 1 had not yet been completed up to 31 December 2021.

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 2020 and 2021, equivalent to approximately HK$5,487,000 and approximately HK$5,648,000 respectively. The purchase of the land had not yet been completed up to 31 December 2021.

36 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:

	2021 **HK$'000**	2020 HK$'000
Within one year	**5,004**	4,376
In the second year	**4,633**	3,827
In the third year	**3,327**	–
In the fourth year	**5**	–
	12,969	8,203

Lease was negotiated and monthly rentals were fixed for term of one to four years.

37 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**	**2021** **HK$'000**	2020 HK$'000
Subsidiaries of an associate	Sales of goods	**39,580**	51,927
	Management fee income	**2,600**	4,377
	Rental income	**3,599**	3,305
	Transportation fee income	**5,600**	5,666
	Purchase of goods	**684**	4,252
	Royalty fee income	**11,280**	12,765
	Dividend received	**13,500**	68,479
	Testing income	**629**	900
A subsidiary of a non-controlling shareholder	Rental income	**–**	376
	Sales of goods	**–**	2,796
	Purchase of goods	**–**	268
A non-controlling shareholder	Interest received	**–**	814

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:

	2021 **HK$'000**	2020 HK$'000
Short-term employee benefits	**12,266**	18,342
Post-employment benefits	**53**	36
Share-based payments	**7,457**	–
	19,776	18,378

38 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 2021 are approximately HK$14,398,000 (2020: HK$5,632,000). No forfeited contributions have been applied to reduce the retirement benefits scheme contributions for the year.

39 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.

	Convertible bonds HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Promissory notes payable HK$'000	Total HK$'000
At 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 and 1 January 2021	**–**	**500,000**	**32,170**	**163,579**	**695,749**
Acquired on step acquisition of a subsidiary	**–**	**–**	**20,770**	**–**	**20,770**
Financial cash flows	**44,947**	**19,033**	**(14,883)**	**(19,081)**	**30,016**
Deferred issue costs	**81**	**–**	**–**	**–**	**81**
New leases entered	**–**	**–**	**7,920**	**–**	**7,920**
Reassessment of leases	**–**	**–**	**(11,939)**	**–**	**(11,939)**
Interest expenses	**135**	**–**	**2,014**	**4,805**	**6,954**
Exchange adjustments	**–**	**–**	**3,399**	**–**	**3,399**
At 31 December 2021	**45,163**	**519,033**	**39,451**	**149,303**	**752,950**

40 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, borrowings and convertible bonds disclosed in notes 27, 28, 29 and 30 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.

41 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**17,659**	544
Financial assets at amortised cost	**906,232**	956,864
Financial liabilities		
Financial liabilities amortised costs	**1,175,626**	1,093,762
Financial liabilities at fair value through profit or loss	**3,539**	–

(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 convertible bonds. 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:

	2021 HK$'000	2020 HK$'000
United States dollars ("US$")	**2,136**	3,904

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.

41 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, promissory notes payable, lease liabilities and convertible bonds. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. 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:

	2021 **HK$'000**	2020 HK$'000
Financial assets at amortised cost	**1,196**	6,943

(ii) Interest expense on financial liabilities not measured at fair value through profit or loss:

	2021 **HK$'000**	2020 HK$'000
Financial liabilities at amortised cost	**46,519**	52,780

Sensitivity analysis

The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

41 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(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 collectively. The 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 16.9% (2020: 24.9%) and approximately 40.6% (2020: 47.8%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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 other receivables, deposits and 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 91.8% (2020: 96.2%) of the total trade receivables as at 31 December 2021.

41 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

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	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

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	2021 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000
Financial assets at amortised costs						
Trade receivables	23	N/A	*(Note 2)*	Lifetime ECL	**286,547**	189,634
Other receivables and deposits	23	N/A	*(Note 1)*	12-month ECL	**196,188**	201,961
Bills receivables	23	N/A	*(Note 1)*	12-month ECL	**8,830**	11,147
Restricted bank deposits	24	A1-Ba1	N/A	12-month ECL	**221,382**	350,051
Bank balances	25	A1-Ba1	N/A	12-month ECL	**238,016**	227,878

41 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

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.

2021	**Past due HK$'000**	**Not past due/ No fixed repayment terms HK$'000**	**Total HK$'000**
Other receivables and deposits	**–**	**196,188**	**196,188**
Bills receivables	**–**	**8,830**	**8,830**

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

During the year ended 31 December 2021, the Group recognised impairment allowance of approximately HK$10,735,000 (2020: reversal of impairment allowance of approximately HK$1,750,000) for other receivables and deposits and based on the assessment of the management, the ECL on bills receivables is insignificant (2020: 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.

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

	2021		2020	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Grades A–B	**0.62%**	**114,246**	0.41%	43,848
Grades C–D	**6.75%**	**74,469**	15.36%	143,039
Grade E	**28.30%**	**97,832**	46.65%	2,747
		286,547		189,634

During the year ended 31 December 2021, the Group provided approximately HK$7,748,000 (2020: HK$15,803,000) impairment allowance for trade receivables.

41 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL HK$'000
At 1 January 2020	6,274
— Impairment losses recognised	15,803
Exchange adjustments	1,354
At 31 December 2020 and 1 January 2021	**23,431**
— Impairment losses recognised	**7,748**
— Step acquisition of a subsidiary	**1,410**
Exchange adjustments	**838**
At 31 December 2021	**33,427**

The following tables show the movement that has been recognised for other receivables and deposits.

	12m ECL HK$'000
At 1 January 2020	2,096
— Impairment losses reversed	(1,750)
Exchange adjustments	31
At 31 December 2020 and 1 January 2021	**377**
— Impairment losses recognised	**10,735**
— Step acquisition of a subsidiary	**4**
— Bad debt written-off	**(5)**
Exchange adjustments	**193**
At 31 December 2021	**11,304**

41 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	1–2 years	2–5 years	After 5 years	Total undiscounted cash flow	Total carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	**–**	**426,215**	**–**	**–**	**–**	**426,215**	**426,215**
Borrowings	**6.86%**	**43,828**	**545,283**	**–**	**–**	**589,111**	**519,033**
Convertible bonds	**6.00%**	**2,760**	**54,280**	**–**	**–**	**57,040**	**41,624**
Lease Liabilities	**4.46%**	**14,115**	**10,102**	**17,100**	**2,730**	**44,047**	**39,451**
Promissory notes payable	**3.17%**	**150,045**	**–**	**–**	**–**	**150,045**	**149,303**
		636,963	**609,665**	**17,100**	**2,730**	**1,266,458**	**1,175,626**
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

(Expressed in Hong Kong dollars)

41 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. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified 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 each reporting period. The following table gives information about how the fair values of these 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 2021	Fair value as at 31 December 2020	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	**N/A**	Unlisted equity shares, HK$544,000	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))*
Financial Products	**Assets, HK$17,659,000**	N/A	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying investments	N/A
Convertible bonds — embedded derivative component	**Liabilities, HK$3,539,000**	N/A	Level 3	Binominal option pricing with the volatilities and risk-free rates as key inputs	Expected volatility *(Note (ii))* Risk-free rate *(Note (ii))*

Notes:

(i) As at 31 December 2020, 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 2021, if a) the expected volatility used was multiplied by 95% or 105% while all the other variables were held constant, the loss on fair value change would increase by approximately HK$287,000/decrease by approximately HK$278,000; b) the risk-free rate used was multiplied by 95% or 105% while all the other variables were held constant, the loss on fair value change would increase by approximately HK$3,000/decrease by approximately HK$2,000.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: nil).

41 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

	Convertible bonds — embedded derivative component HK$'000	Financial assets at fair value through profit or loss HK$'000	Contingent consideration payable HK$'000
As at 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 and 1 January 2021	**–**	**544**	**–**
Loss on fair value change	**–**	**(550)**	**–**
Issuance of convertible bonds	**3,539**	**–**	**–**
Exchange adjustments	**–**	**6**	**–**
As at 31 December 2021	**3,539**	**–**	**–**

(d) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's current financial assets and current financial liabilities recorded at amortized cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

42 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:

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	**54**	86
Right-of-use assets	**1,409**	2,872
Investment in subsidiaries	**130,174**	130,174
Amounts due from subsidiaries	**36,108**	36,108
	167,745	169,240
Current assets		
Other receivables	**930**	1,167
Amounts due from subsidiaries	**456,544**	271,570
Bank balances and cash	**2,089**	1,165
	459,563	273,902
Current liabilities		
Other payables	**17,620**	4,669
Borrowings	**10,474**	–
Lease liabilities	**1,060**	1,189
	29,154	5,858
Net current assets	**430,409**	268,044
Total assets less current liabilities	**598,154**	437,284
Non-current liabilities		
Convertible bonds — debt component	**41,624**	–
Convertible bonds — embedded derivated component	**3,539**	–
Lease liabilities	**652**	2,054
	45,815	2,054
Net assets	**552,339**	435,230
Capital and reserves		
Share capital	**7,615**	6,774
Reserves	**544,724**	428,456
Total equity	**552,339**	435,230

42 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 HK$'000	Share-based payment reserve HK$'000	Total HK$'000
At 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 32)*	49,724	–	–	–	49,724
At 31 December 2020 and 1 January 2021	**375,103**	**118,994**	**(65,641)**	**–**	**428,456**
Loss and total comprehensive expense for the year	**–**	**–**	**(73,971)**	**–**	**(73,971)**
Issue of shares *(Note 32)*	**164,487**	**–**	**–**	**–**	**164,487**
Recognition on of equity-settled share-based payment *(Note 33)*	**–**	**–**	**–**	**25,752**	**25,752**
At 31 December 2021	**539,590**	**118,994**	**(139,612)**	**25,752**	**544,724**

Note: The other reserve was resulted from group restructuring carried out in prior years.

43 SUBSEQUENT EVENT

On 27 January 2022, Days Services received the Administrative Penalty Decision (Shanghai Yinfeizi [2022] No.9) from PBOC Shanghai branch. The PBOC Shanghai branch decided that Days Services had failed to comply the regulation, as a result of which, a total fine of RMB4,300,000 (equivalent to approximately HK$5,257,000) was imposed on Days Services and the review process in relation to Days Services' suitability to continue to be a licensee was suspended.

On 24 March 2022, the Company entered into an agreement with LYGR to convert an existing non-interest-bearing loan of HK$25,000,000 from the Company to LYGR into 1,921 shares of LYGR ("LYGR's share") credited as fully paid at the price of HK$13,008 per LYGR's share, which reflects an agreed pre-issue valuation of LYGR of HK$400,000,000 ("LYGR Third Acquisition"). The Group's equity interest in LYGR will increase by approximately 2.69% from approximately 54.22% to 56.91% on completion of LYGR Third Acquisition.

44 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 2021, 69,106,895 new ordinary shares was issued at fair value of approximately HK$136,832,000 by reference to the quoted price of HK$1.98 per share for the step acquisition of a subsidiary. Details are set out in the note 34.

(Expressed in Hong Kong dollars)

45 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 2021	2020	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	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 *(Note (ii))*	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
信輝(東莞)新材料有限公司 Trufield (Dongguan) Innovative Materials Limited *(Note (iv))*	The PRC 20 April 2020	The PRC	RMB10,000,000	**100%**	100%	Manufacturing of coatings
PAD LYGR Limited	BVI 5 November 2019	BVI	US$10,000	**100%**	100%	Investment holding
Pan Asia Data (BVI) Inc.	BVI 8 January 2019	BVI	US$1	**100%**	100%	Investment holding
Pan Asia Data HK Limited	Hong Kong 22 February 2019	Hong Kong	HK$10,000	**100%**	100%	Investment holding

(Expressed in Hong Kong dollars)

45 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 2021	2020	Principal activities
Mao Hong	BVI 18 January 2019	BVI	US$100	**51%**	51%	Investment holding
Mao Hong Information Technology (Hong Kong) Limited	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) and (iv))*	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) and (v))*	The PRC 29 June 2015	The PRC	RMB27,700,000 Paid-up registered capital	**51%**	51%	Provision of information technology services
上海得仕控股有限公司 Shanghai Day's Holdings Company Limited *(Notes (iii) and (iv))*	The PRC 21 January 2009	The PRC	RMB100,000,000 Paid-up registered capital	**51%**	51%	Investment holding
Days Services *(Note (iii))*	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) and (iv))*	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) and (iv))*	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
上海聯征智能科技有限公司 Shanghai Lian Zheng Zhi Neng Science and Technology Co., Ltd. *(Notes (iv) and (vi))*	The PRC 11 November 2021	The PRC	HKD200,000,000	**100%**	–	Provision of information and data services
LYGR *(Note (vii))*	Cayman 21 September 2018	Cayman	US$30,750	**54.22%**	–	Investment holding
Guo Rong International Limited *(Note (vii))*	BVI 24 October 2018	BVI	US$10,000	**54.22%**	–	Investment holding
Lian Yang Guo Rong (Hong Kong) Limited *(Note (vii))*	Hong Kong 26 November 2018	Hong Kong	HKD10,000	**54.22%**	–	Investment holding
聯洋國信（北京）科技有限公司 Lian Yang Guo Xin (Beijing) Science and Technology Co. Ltd. ("LYGX (Beijing)") *(Notes (iv) and (vii))*	The PRC 30 August 2019	The PRC	RMB160,900,000	**54.22%**	–	Investment holding
LYGR (Beijing) *(Notes (vii) and (viii))*	The PRC 7 September 2018	The PRC	RMB60,000,000	**43.38%**	–	Provision of information and data services
聯洋國融（上海）科技有限公司 Lian Yang Guo Rong (Shanghai) Science and Technology Co., Ltd *(Notes (iv) and (vi))*	The PRC 1 July 2021	The PRC	RMB11,613,197	**43.38%**	–	Provision of information and data services

45 PARTICULARS OF SUBSIDIARIES *(Continued)*

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 "Maohong VIE Equity Owners"). Shanghai Shengjiang, an indirect subsidiary of the Company, Shanghai Maohong and the Maohong 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 "Maohong VIE Contracts"). The VIE Contracts provide the Group through Shanghai Shengjiang with effective control over Shanghai Maohong.

(vi) The company is newly incorporated during the year ended 31 December 2021.

(vii) These companies were acquired on 2 June 2021 (Note 34).

(viii) LYGR (Beijing) is a limited liability company established under the laws of the PRC and under the legal ownership of six independent third parties, of which five independent third parties were nominated by the Company (the "LYGR VIE Equity Owners"). LYGX (Beijing), an indirect subsidiary of the Company and the LYGR VIE Equity Owners entered into certain structured contracts namely, the Exclusive Business Consulting and Services Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreements and the Powers of Attorney (together, as "LYGR VIE Contracts"). The LYGR VIE Contracts provide the Group through LYGX (Beijing) with effective control over LYGR (Beijing).

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		Profit/(loss) attributed to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Mao Hong	BVI	**49%**	49%	**(392,402)**	(493,324)	**220,032**	597,126
LYGR	Cayman	**45.78%**	N/A	**1,710**	–	**118,127**	–
Individually immaterial subsidiary with non- controlling interests	N/A	**N/A**	N/A	**(3,899)**	(1,859)	**5,427**	9,124
				(394,591)	(495,183)	**343,586**	606,250

45 PARTICULARS OF SUBSIDIARIES *(Continued)*

Summarised financial information in respect of Mao Hong and LYGR that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations:

	LYGR		Mao Hong	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
As at 31 December				
Current assets	**118,468**	–	**560,137**	707,323
Non-current assets	**327,610**	–	**15,795**	648,639
Current liabilities	**(130,277)**	–	**(252,829)**	(346,744)
Non-current liabilities	**(58,536)**	–	**(401)**	(160,362)
Net assets	**257,265**	–	**322,702**	848,856
Equity attributable to:				
— Owners of the Company	**139,138**	–	**102,670**	251,730
— Non-controlling interest	**118,127**	–	**220,032**	597,126
	257,265	–	**322,702**	848,856
For the year ended 31 December				
Revenue	**172,835**	–	**26,729**	291,303
Expenses	**(170,070)**	–	**(574,650)**	(985,558)
Profit/(loss) for the year	**2,765**	–	**(547,921)**	(694,255)
Profit/(loss) for the year attributable to:				
— Owners of the Company	**1,055**	–	**(155,519)**	(200,931)
— Non-controlling interests	**1,710**	–	**(392,402)**	(493,324)
	2,765	–	**(547,921)**	(694,255)
Other comprehensive income for the year attributable to:				
— Owners of the Company	**2,668**	–	**6,458**	28,438
— Non-controlling interests	**2,081**	–	**15,308**	64,221
	4,749	–	**21,766**	92,659
Net cash inflow/(outflow) from operating activities	**30,730**	–	**14,556**	(75,730)
Net cash (outflow)/inflow from investing activities	**(19,687)**	–	**(3,551)**	6,241
Net cash (outflow)/inflow from financing activities	**(17,024)**	–	**8,560**	(57,282)
Net cash (outflow)/inflow	**(5,981)**	–	**19,565**	(126,771)

Financial Summary

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**608,158**	622,068	730,699	426,346	374,161
(Loss)/profit for the year attributable to					
Owners of the Company	**(238,682)**	(627,682)	(23,309)	8,563	6,105
Non-controlling interests	**(394,591)**	(495,183)	54,411	(1,195)	(2,914)
	(633,273)	(1,122,865)	31,102	7,368	3,191

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,789,818**	2,103,179	3,772,833	670,234	710,611
Total liabilities	**(1,234,243)**	(1,261,926)	(1,980,824)	(56,254)	(55,249)
	555,575	841,253	1,792,009	613,980	655,362
Equity attributable to owners of the Company	**211,989**	235,003	755,385	601,650	641,229
Non-controlling interests	**343,586**	606,250	1,036,624	12,330	14,133
	555,575	841,253	1,792,009	613,980	655,362