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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)

**ANNOUNCEMENT OF AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (“**Board**” or “**Directors**”) of Pan Asia Data Holdings Inc. (“**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i> (Re-presented)
Revenue	4	608,158	622,068
Cost of sales		<u>(417,669)</u>	<u>(485,312)</u>
Gross profit		190,489	136,756
Other income	6	24,275	33,432
Other gains and losses, net	7	5,223	(1,465)
Impairment losses under expected credit loss model, net of reversal	8	(18,483)	(14,053)
Impairment losses of goodwill and other intangible assets	14	(633,218)	(1,247,492)
Impairment losses of interests in associates	15	–	(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	9	(46,519)	(52,780)
Share of results of associates	15	<u>25,097</u>	<u>22,648</u>

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i> (Re-presented)
Loss before taxation	<i>10</i>	(795,345)	(1,356,207)
Income tax credit	<i>11</i>	162,072	233,342
Loss for the year		<u>(633,273)</u>	<u>(1,122,865)</u>
Loss for the year attributable to:			
Owners of the Company		(238,682)	(627,682)
Non-controlling interests		(394,591)	(495,183)
		<u>(633,273)</u>	<u>(1,122,865)</u>
Loss per share			
Basic and diluted	<i>13</i>	<u>(HK\$33.0) cents</u>	<u>(HK\$93.4) cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(633,273)</u>	<u>(1,122,865)</u>
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	<u>4,101</u>	<u>9,604</u>
Other comprehensive income for the year	<u>42,178</u>	<u>122,242</u>
Total comprehensive expense for the year	<u><u>(591,095)</u></u>	<u><u>(1,000,623)</u></u>
Total comprehensive expense attributable to:		
Owners of the Company	(214,094)	(570,249)
Non-controlling interests	<u>(377,001)</u>	<u>(430,374)</u>
	<u><u>(591,095)</u></u>	<u><u>(1,000,623)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		169,033	134,082
Right-of-use assets		80,772	73,273
Intangible assets	14	376,292	626,681
Interests in associates	15	168,068	261,801
Financial assets at fair value through profit or loss		–	544
Deferred tax assets		18,294	5,460
Deposits paid for non-current assets		2,964	2,899
		815,423	1,104,740
Current assets			
Inventories		43,254	38,345
Trade and other receivables	16	454,059	382,140
Tax recoverable		25	25
Financial assets at fair value through profit or loss		17,659	–
Restricted bank deposits	17	221,382	350,051
Bank balances and cash		238,016	227,878
		974,395	998,439
Current liabilities			
Trade and other payables	18	437,710	401,965
Lease liabilities		12,587	11,279
Borrowings	20	19,033	500,000
Promissory notes payable	19	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

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Promissory notes payable	19	–	163,579
Deferred tax liabilities		41,978	154,378
Borrowings	20	500,000	–
Convertible bonds – debt component	21	41,624	–
Convertible bonds – embedded derivative component	21	3,539	–
Lease liabilities		26,864	20,891
		<u>614,005</u>	<u>338,848</u>
Net assets		<u>555,575</u>	<u>841,253</u>
Capital and reserves			
Share capital	22	7,615	6,774
Reserves		204,374	228,229
		<u>211,989</u>	<u>235,003</u>
Equity attributable to owners of the Company		<u>211,989</u>	<u>235,003</u>
Non-controlling interests		<u>343,586</u>	<u>606,250</u>
		<u>555,575</u>	<u>841,253</u>
Total equity		<u>555,575</u>	<u>841,253</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

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 Company is an investment holding company. The Group is principally engaged in big data services, third-party payment services and manufacturing and trading of liquid coatings and powder coatings.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$") which also is 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.

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 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

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

4. REVENUE

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

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.

5. 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 <i>HK\$’000</i>	Third-party payment services <i>HK\$’000</i>	Coatings <i>HK\$’000</i>	Total <i>HK\$’000</i>
REVENUE				
Segment revenue and external revenue (Point in time)	<u>172,835</u>	<u>26,729</u>	<u>408,594</u>	<u>608,158</u>
RESULTS				
Segment profits/(losses)	<u>17,664</u>	<u>(691,419)</u>	<u>43,992</u>	(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				<u>25,097</u>
Loss before taxation				(795,345)
Income tax credit				<u>162,072</u>
Loss for the year				<u>(633,273)</u>

Year ended 31 December 2020

	Big data services <i>HK\$'000</i> (Re-presented)	Third-party payment services <i>HK\$'000</i> (Re-presented)	Coatings <i>HK\$'000</i> (Re-presented)	Total <i>HK\$'000</i> (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.

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
				<u>1,789,818</u>
LIABILITIES				
Segment liabilities	95,322	252,968	596,674	944,964
Unallocated liabilities				289,279
				<u>1,234,243</u>
OTHER INFORMATION				
Additions to non-current assets (<i>Note</i>)				
— Allocated	418,581	4,469	34,936	457,986
— Unallocated				1,854
				<u>459,840</u>
Depreciation and amortisation				
— Allocated	9,150	16,507	23,641	49,298
— Unallocated				1,072
				<u>50,370</u>
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 in profit or loss, net of reversal	1,830	17,247	(594)	18,483
Interests in associates	–	–	168,068	168,068
Interest income				
— Allocated	71	236	887	1,194
— Unallocated				2
				<u>1,196</u>
Interest expense				
— Allocated	561	608	35,810	36,979
— Unallocated				9,540
				<u>46,519</u>
Income tax expense/(credit)	<u>551</u>	<u>(162,679)</u>	<u>56</u>	<u>(162,072)</u>

As at 31 December 2020

	Big data services <i>HK\$'000</i> (Re-presented)	Third-party payment services <i>HK\$'000</i> (Re-presented)	Coatings <i>HK\$'000</i> (Re-presented)	Total <i>HK\$'000</i> (Re-presented)
ASSETS				
Segment assets	–	1,351,436	463,206	1,814,642
Unallocated assets				288,537
				<u>2,103,179</u>
LIABILITIES				
Segment liabilities	–	352,840	583,119	935,959
Unallocated liabilities				325,967
				<u>1,261,926</u>
OTHER INFORMATION				
Additions to non-current assets (<i>Note</i>)				
— Allocated	–	1,006	65,062	66,068
— Unallocated				10
				<u>66,078</u>
Depreciation and amortisation				
— Allocated	–	54,139	19,357	73,496
— Unallocated				1,220
				<u>74,716</u>
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
				<u>261,081</u>
Interest income				
— Allocated	–	6,083	849	6,932
— Unallocated				11
				<u>6,943</u>
Interest expense				
— Allocated	–	2,063	35,797	37,860
— Unallocated				14,920
				<u>52,780</u>
Income tax (credit)/expense	<u>–</u>	<u>(234,157)</u>	<u>815</u>	<u>(233,342)</u>

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 People's Republic of China (the "PRC"). Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The PRC	579,539	792,037
Vietnam	41,200	34,702
Others	5,358	7,297
	<u>626,097</u>	<u>834,036</u>

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

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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
	<u>24,275</u>	<u>33,432</u>

7. OTHER GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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 (<i>Note</i>)	3,091	6,130
Gain on step acquisition of a subsidiary	3,697	–
Others	2,836	2,472
	<u>5,223</u>	<u>(1,465)</u>

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.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

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

9. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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 (<i>Note 21</i>)	135	–
Imputed interest on promissory notes payable (<i>Note 19</i>)	4,805	14,659
	<u>46,519</u>	<u>52,780</u>

10. LOSS BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	3,080	2,800
Directors' emoluments:		
— 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	—
	<u>22,554</u>	<u>19,092</u>
Other staff costs:		
— Salaries and other benefits	146,144	126,539
— Retirement benefit scheme contributions	14,345	5,596
— Share-based payment	6,819	—
	<u>189,862</u>	<u>151,227</u>
Total staff costs	189,862	151,227
Depreciation of property, plant and equipment	24,511	16,661
Depreciation of right-of-use assets	13,490	11,801
Amortisation of intangible assets (<i>Note 14</i>)	12,369	46,254
	<u>50,370</u>	<u>74,716</u>
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
	<u><u>1,890</u></u>	<u><u>2,647</u></u>

11. INCOME TAX CREDIT

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

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands (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 introduce 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%.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation	(795,345)	(1,356,207)
Less: Share of results of associates	<u>(25,097)</u>	<u>(22,648)</u>
	<u>(820,442)</u>	<u>(1,378,855)</u>
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	<u>248</u>	<u>152</u>
Taxation credit for the year	<u>(162,072)</u>	<u>(233,342)</u>

12. 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.

13. 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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(238,682)</u>	<u>(627,682)</u>
	2021	2020
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>722,924</u>	<u>672,114</u>

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.

14. 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 23)	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	<u>452,795</u>	<u>38,250</u>	<u>208,923</u>	<u>109,702</u>	<u>1,075,695</u>	<u>236,471</u>	<u>242,962</u>	<u>2,364,798</u>
Amortisation and impairment								
At 1 January 2020	–	737	–	8,372	–	9,025	–	18,134
Provided for the year (Note 10)	–	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 10)	–	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	<u>338,250</u>	<u>19,465</u>	<u>208,923</u>	<u>109,702</u>	<u>1,075,695</u>	<u>236,471</u>	<u>–</u>	<u>1,988,506</u>
Carrying amount								
At 31 December 2020	<u>–</u>	<u>9,169</u>	<u>82,373</u>	<u>30,998</u>	<u>424,117</u>	<u>80,024</u>	<u>–</u>	<u>626,681</u>
At 31 December 2021	<u>114,545</u>	<u>18,785</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>242,962</u>	<u>376,292</u>

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.

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) <i>HK\$'000</i>
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.

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.

15. INTERESTS IN ASSOCIATES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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)
	<u>168,068</u>	<u>261,801</u>
Share of results of associates during the year	<u>25,097</u>	<u>22,648</u>

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		Principal activities
				2021	2020	
CMW Holding Limited (“CMW Holding”)	Limited liability company	Hong Kong	HK\$500,000	45%	45%	Manufacturing and trading of coatings
LYGR (<i>Note</i>)	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 23.

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) **CMW Holding**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
As at 31 December		
Current assets	<u>462,936</u>	<u>449,936</u>
Non-current assets	<u>41,367</u>	<u>41,657</u>
Current liabilities	<u>(119,365)</u>	<u>(135,480)</u>
Non-current liabilities	<u>(12,212)</u>	<u>(16,764)</u>
Net assets	<u>372,726</u>	<u>339,349</u>
For the year ended 31 December		
Revenue	<u>688,251</u>	<u>623,318</u>
Profit for the year	<u>54,477</u>	<u>64,403</u>
Other comprehensive income for the year	<u>8,900</u>	<u>20,700</u>
Total comprehensive income for the year	<u>63,377</u>	<u>85,103</u>
The Group's share of results of an associate for the year	<u>24,515</u>	<u>28,981</u>
The Group's share of other comprehensive income for the year	<u>4,005</u>	<u>9,315</u>
Dividends paid to the Group	<u>(13,500)</u>	<u>(68,479)</u>
Reconciliation of the above summarised financial information to the carrying amount of the interest in CMW Holding recognised in the consolidated financial statements:		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net assets of CMW Holding	<u>372,726</u>	<u>339,349</u>
Proportion of the Group's ownership interest in CMW Holding	<u>45%</u>	<u>45%</u>
Carrying amount of the Group's interest in CMW Holding	<u>167,727</u>	<u>152,707</u>

(ii) LYGR

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

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

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

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 23)	113,128
Less: carrying amount of 30.89% equity interest in LYGR	(109,431)
	3,697

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

	For the year ended	
	31 December	
	2021	2020
	HK\$'000	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	2020
	HK\$'000	HK\$'000
Aggregate carrying amount of the Group's interests in these associates	341	344

16. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK\$'000	HK\$'000
Trade receivables	286,547	189,634
Less: loss allowance on trade receivables	(33,427)	(23,431)
	253,120	166,203
Bill 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.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>261,950</u>	<u>177,350</u>

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 HK\$135,000 (2020: Nil) respectively. These amounts are unsecured, interest-free and repayable on demand.

17. RESTRICTED BANK DEPOSITS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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 (<i>Note</i>)	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
	<u>221,382</u>	<u>350,051</u>

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.

18. TRADE AND OTHER PAYABLES

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

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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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 HK\$23,510,000 (2020: Nil). The amounts are unsecured, interest-free and repayable on demand.

19. PROMISSORY NOTES PAYABLE

	First Promissory Note <i>HK\$'000</i>	Second Promissory Note <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	9,391	–	9,391
Issuance of promissory note (<i>Note</i>)	–	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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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.

20. BORROWINGS

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

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 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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	19,033	500,000
Within a period more than one year but not exceeding two years	<u>500,000</u>	<u>–</u>
	<u><u>519,033</u></u>	<u><u>500,000</u></u>

21. 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 (<i>Note 9</i>)	135	–	135
	<u>41,624</u>	<u>3,539</u>	<u>45,163</u>
As at 31 December 2021	<u>41,624</u>	<u>3,539</u>	<u>45,163</u>

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.

22. 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	<u>10,000,000,000</u>	<u>100,000</u>
Issued share capital:		
At 1 January 2020	663,088,770	6,631
Issue of shares under subscription agreements (<i>Note (i)</i>)	<u>14,288,000</u>	<u>143</u>
At 31 December 2020 and 1 January 2021	677,376,770	6,774
Issue of shares under subscription agreements (<i>Note (ii)</i>)	15,000,000	150
Issue of shares for acquisition of a subsidiary (<i>Note (iii)</i>)	<u>69,106,895</u>	<u>691</u>
At 31 December 2021	<u>761,483,665</u>	<u>7,615</u>

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 23.

23. 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 data services.

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)
	<hr/>
Net identifiable assets at fair value	249,752
Non-controlling interests	(114,337)
Goodwill	114,545
	<hr/>
Total consideration	<u>249,960</u>

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 (<i>Note</i>)	136,832
Fair value of previously held 30.89% equity interest in LYGR (<i>Note 15</i>)	113,128
	<hr/>
	249,960
	<hr/> <hr/>

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.

	2021
	HK\$'000
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	26,536
	<hr/> <hr/>

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 the 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.

24. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND FINANCIAL OVERVIEW

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

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 (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.

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

Days Services 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 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. 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.

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 CMW Holding, 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 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, 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 announcement, all proceeds from the Subscription have been utilised as intended.

On 22 December 2021, the Company issued Convertible Bonds 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 announcement, all proceeds from the Placing have been utilised as intended.

USE OF NET PROCEEDS FROM LISTING

Following the listing of its shares, the Company received net proceeds of approximately HK\$119.9 million from the placing and public offer of the Company's shares in December 2015 (the "**Listing**") after the deduction of underwriting commissions and all related expenses. On 31 December 2019, the Board resolved to change the proposed use of net proceeds from the Listing. Details of the utilised net proceeds as at 31 December 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	–	
	<u>119.9</u>	<u>117.0</u>	<u>2.9</u>	

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 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 and it is expected to take approximately one year to complete. Therefore, it is currently expected that the unutilized balance of 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 announcement.

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\$815,423,000 (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 20 to the consolidated financial statements in this announcement. 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 20 to the consolidated financial statements in this announcement, 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 announcement, 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 announcement.

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 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 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 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 FY2022 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 P/S ratio of the comparable companies of approximately 5.88, (2) 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.

PROSPECTS AND STRATEGIES

In 2021, the PRC government actively enhanced the quality and efficiency of financial services to prevent and resolve risks in key areas, and to continue deepening reform and opening up, so as to maintain a good trend of stable operation in the financial industry. Moreover, with an 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 its usage in 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 cyberspace of PRC, 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. Currently, 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 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 in continuing to further establishing to 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.

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 the 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.

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.

CORPORATE GOVERNANCE PRACTICES

The Board 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 Listing Rules. 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

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.

CG Code A.6.7

Under CG Code A.6.7, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Zuo Yi (being the non-executive Director at the material time) and Mr. Li Gong (being the independent non-executive Director) were unable to attend the annual general meeting held on 30 June 2021 due to other business engagements.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 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.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2021.

SCOPE OF WORK OF MESSRS. BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Baker Tilly Hong Kong Limited on this announcement.

By Order of the Board
Pan Asia Data Holdings Inc.
Gu Zhongli
Chairman

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Gu Zhongli
Ms. Liu Rong Rong
Ms. Charles Simon
Ms. Jin Peiyi

Non-executive Director:

Dr. Dong Liuhuan

Independent non-executive Directors:

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

* English translation of name is for identification purpose only