联洋智能
PAD

Pan Asia Data Holdings Inc.
聯洋智能控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1561)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**622,068**	730,699
Cost of sales		**(485,312)**	(522,915)
Gross profit		**136,756**	207,784
Other income	*6*	**33,432**	28,435
Other gains and losses, net	*7*	**(1,465)**	(7,253)
Impairment losses under expected credit loss model, net of reversal	*8*	**(14,053)**	(3,672)
Impairment losses of goodwill and other intangible assets	*14*	**(1,247,492)**	–
Impairment losses of interests in associates	*15*	**(27,558)**	–
Distribution and selling expenses		**(52,983)**	(53,304)
Administrative expenses		**(152,712)**	(119,519)
Finance costs	*9*	**(52,780)**	(16,702)
Share of results of associates	*15*	**22,648**	3,733
(Loss)/profit before taxation	*10*	**(1,356,207)**	39,502
Income tax credit/(expense)	*11*	**233,342**	(8,400)
(Loss)/profit for the year		**(1,122,865)**	31,102

	Note	2020 HK$'000	2019 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(627,682)**	(23,309)
Non-controlling interests		**(495,183)**	54,411
		(1,122,865)	31,102
Loss per share			
Basic and diluted	*13*	**(HK93.4) cents**	(HK3.8) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**134,082**	99,368
Right-of-use assets		**73,273**	70,051
Intangible assets	*14*	**626,681**	1,827,270
Interests in associates	*15*	**261,801**	325,586
Financial assets at fair value through profit or loss		**544**	511
Deferred tax assets		**5,460**	1,440
Deposits paid for non-current assets		**2,899**	2,628
		1,104,740	2,326,854
Current assets			
Inventories		**38,345**	45,731
Trade and other receivables	*16*	**382,140**	555,882
Tax recoverable		**25**	23
Restricted bank deposits	*17*	**350,051**	424,285
Bank balances and cash		**227,878**	420,058
		998,439	1,445,979
Current liabilities			
Trade and other payables	*18*	**401,965**	801,288
Lease liabilities		**11,279**	9,250
Borrowings	*20*	**500,000**	50,234
Promissory notes payable	*19*	**–**	9,391
Tax payable		**9,834**	15,531
		923,078	885,694
Net current assets		**75,361**	560,285
Total assets less current liabilities		**1,180,101**	2,887,139

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Promissory notes payable	*19*	**163,579**	–
Deferred tax liabilities		**154,378**	369,032
Borrowings	*20*	**–**	500,000
Lease liabilities		**20,891**	20,252
Contingent consideration payable		**–**	205,846
		338,848	1,095,130
Net assets		**841,253**	1,792,009
Capital and reserves			
Share capital	*21*	**6,774**	6,631
Reserves		**228,229**	748,754
Equity attributable to owners of the Company		**235,003**	755,385
Non-controlling interests		**606,250**	1,036,624
Total equity		**841,253**	1,792,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

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

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

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

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

The 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 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

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

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

Provision of third-party payment services

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

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

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

Sales of goods

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

5 OPERATING SEGMENTS

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

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

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

Coatings — Manufacturing and trading of coatings

Segment revenues and results

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

Year ended 31 December 2020

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

Year ended 31 December 2019

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

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

Segment assets and liabilities and other information

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

As at 31 December 2020

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

As at 31 December 2019

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

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

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

Revenue from major customers

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

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

Note: Revenue from sales of coatings

Geographical information

No separate analysis of segment information by geographical information is presented as the Group's revenue is principally attributable to a single geographical region, which is the 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.

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

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

6 OTHER INCOME

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

7 OTHER GAINS AND LOSSES, NET

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

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

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

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

9 FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowing and other borrowing	**36,448**	6,604
Interest on lease liabilities	**1,673**	919
Imputed interest on promissory notes payable *(Note 19)*	**14,659**	9,179
	52,780	16,702

10 (LOSS)/PROFIT BEFORE TAXATION

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

11 INCOME TAX (CREDIT)/EXPENSE

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

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 introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

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

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

12 DIVIDEND

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

13 LOSS PER SHARE

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

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

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

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

14 INTANGIBLE ASSETS

	Goodwill	**Computer software**	**Trademarks**	**Technology**	**Licenses**	**Distribution network**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 January 2019	–	–	–	–	–	–	–
Additions	–	429	–	–	–	–	429
Acquisition of a subsidiary	338,250	14,997	194,773	102,273	1,002,841	220,455	1,873,589
Disposals	–	(1,260)	–	–	–	–	(1,260)
Exchange adjustments	–	(539)	(3,435)	(1,804)	(17,688)	(3,888)	(27,354)
At 31 December 2019 and 1 January 2020	338,250	13,627	191,338	100,469	985,153	216,567	1,845,404
Additions	–	94	–	–	–	–	94
Exchange adjustments	–	1,944	12,322	6,470	63,445	13,947	98,128
At 31 December 2020	338,250	15,665	203,660	106,939	1,048,598	230,514	1,943,626

	Goodwill	Computer software	Trademarks	Technology	Licenses	Distribution network	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amortisation and impairment							
At 1 January 2019	–	–	–	–	–	–	–
Provided for the year *(Note 10)*	–	1,581	–	8,537	–	9,201	19,319
Eliminated on disposals	–	(617)	–	–	–	–	(617)
Exchange adjustments	–	(227)	–	(165)	–	(176)	(568)
At 31 December 2019 and 1 January 2020	–	737	–	8,372	–	9,025	18,134
Provided for the year *(Note 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	338,250	6,496	121,287	75,941	624,481	150,490	1,316,945
Carrying amount							
At 31 December 2019	338,250	12,890	191,338	92,097	985,153	207,542	1,827,270
At 31 December 2020	–	9,169	82,373	30,998	424,117	80,024	626,681

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

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

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

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

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

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

As at 31 December 2020, the recoverable amount of the Mao Hong CGU was determined based on fair value less costs of disposal, with reference to the valuation report prepared by an independent external professional qualified valuer. The fair value less costs of disposal arrived from the Market Approach reflected the market expectations over corresponding industry as the 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 sensitivity analysis prepared by the Directors as at 31 December 2020:

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

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

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

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

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

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

15 INTERESTS IN ASSOCIATES

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

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

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

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

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

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

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

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

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

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Current assets	**449,936**	391,536
Non-current assets	**41,657**	136,359
Current liabilities	**(135,480)**	(105,837)
Non-current liabilities	**(16,764)**	(15,638)
Net assets	**339,349**	406,420

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**623,318**	619,700
Profit for the year	**64,403**	8,237
Other comprehensive income/(expense) for the year	**20,700**	(6,995)
Total comprehensive income for the year	**85,103**	1,242
The Group's share of results of an associate for the year	**28,981**	3,707
The Group's share of other comprehensive income/(expense) for the year	**9,315**	(3,148)
Dividends paid to the Group	**(68,479)**	–

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Net assets of CMW Holding	**339,349**	406,420
Proportion of the Group's ownership interest in CMW Holding	**45%**	45%
Carrying amount of the Group's interest in CMW Holding	**152,707**	182,890

(ii) Lian Yang Guo Rong

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Current assets	**58,114**	77,859
Non-current assets	**16,911**	2,011
Current liabilities	**(47,458)**	(27,223)
Net assets	**27,567**	52,647

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**27,410**	–
Loss for the year attributable to owners of the Company	**(20,651)**	(1,135)
Other comprehensive income for the year attributable to owners of the Company	**866**	79
Total comprehensive expense for the year attributable to owners of the Company	**(19,785)**	(1,056)
The Group's share of results of an associate for the year	**(6,379)**	–
The Group's share of other comprehensive income for the year	**268**	–
Dividends paid to the Group	**–**	–

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Net assets of Lian Yang Guo Rong	**27,567**	52,647
Non-controlling interests	**9,875**	4,580
	37,442	57,227
Proportion of the Group's ownership interest in Lian Yang Guo Rong	**30.89%**	30.89%
Group's share of net assets of Lian Yang Guo Rong	**11,566**	17,677
Goodwill	**124,742**	124,742
Impairment losses recognised	**(27,558)**	–
Carrying amount of the Group's interest in Lian Yang Guo Rong	**108,750**	142,419

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

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

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

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

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

16 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

17 RESTRICTED BANK DEPOSITS

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

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

18 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

19 PROMISSORY NOTES PAYABLE

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

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

Notes:

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

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

20 BORROWINGS

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

Notes:

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

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

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

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

21 SHARE CAPITAL

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

Notes:

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

(ii) On 31 December 2019, the Company issued a total of 17,474,735 new ordinary shares of HK$0.01 each, as consideration for the acquisition of an associate. The closing market price of the Company's shares as at 31 December 2019 as quoted on the Stock Exchange was HK$3.78. After deducting the professional expense, an amount of approximately HK$65,879,000 in excess of par value was credited to share premium. Details are set out in note 15 to the consolidated financial statements in this announcement.

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

22 SUBSEQUENT EVENT

On 11 February 2021, the Company entered into a share purchase agreement (the "**Lianyang Share Purchase Agreement**") with Lian Yang Investment (as the vendor), 上海百派數字科技合夥企業(有限合夥) (Shanghai Bai Pai Digital Science and Technology LLP*) and 上海普恩網路科技合夥企業(有限合夥) (Shanghai Pu En Network Science and Technology LLP*) (collectively, the "**Guarantors**") and Lian Yang Guo Rong. Lian Yang Investment shall as beneficial owners sell, and the Company shall purchase, 7,172 shares of Lian Yang Guo Rong at consideration which shall be satisfied by the allotment and issue of 69,106,895 new ordinary shares by the Company to the Lian Yang Investment at the issue price of HK$1.35 per share. Upon completion, the Company will hold a 54.22% equity interest in Lian Yang Guo Rong and the Lian Yang Guo Rong will become a subsidiary of the Company. As at the date of this announcement, this transaction is still not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND FINANCIAL OVERVIEW

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

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

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

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

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

FINAL DIVIDEND

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

BUSINESS REVIEW

Big Data Business

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

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

On 11 February 2021, the Company entered into a share purchase agreement with Lian Yang Investment (as the vendor), the Guarantors and Lian Yang Guo Rong. Under that agreement, Lian Yang Investment shall as beneficial owners sell, and the Company shall purchase, 7,172 shares of Lian Yang Guo Rong at consideration which shall be satisfied by the allotment and issue of 69,106,895 new ordinary shares by the Company to Lian Yang Investment at the issue price of HK$1.35 per share. Upon completion, the Company will hold a 54.22% equity interest in Lian Yang Guo Rong and Lian Yang Guo Rong will become a subsidiary of the Company.

Third-Party Payment Services Business

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

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

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

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

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

2. Sharply intensifying competition among industry participants.

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

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

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

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

Coatings Business

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

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

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

Overall Performance

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

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

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

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

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

Others

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

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

USE OF NET PROCEEDS FROM LISTING

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

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

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

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

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

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

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

As at 31 December 2020, out of the total borrowings, approximately HK$500,000,000 (2019: HK$50,234,000) was repayable within one year and no borrowing (2019: HK$500,000,000) was repayable after one year. For details, please refer to note 20 to the consolidated financial statements in this announcement. As at 31 December 2020, the outstanding principal amount of the promissory notes was approximately HK$165,467,000 (2019: HK$9,400,000).

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

As at 31 December 2020 and 2019, save as disclosed in note 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 will closely monitor its foreign exchange exposure and will consider hedging significant currency exposure should the need arises.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES AND REMUNERATION POLICIES

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

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

As at 31 December 2020, the recoverable amount of Mao Hong CGU was determined based on fair value less cost of the disposal. This method of determination resulted in a higher recoverable amount, and the key assumptions adopted in the market approach have been disclosed in note 14 to the consolidated financial statements in this announcement. Based on the 2020 Impairment Valuation, the Company recognised an impairment of Mao Hong's goodwill and other intangible assets of approximately HK$338,250,000 and approximately HK$909,242,000, respectively, based on its assessment.

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

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

Market Approach

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

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

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

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

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

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

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

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

Income Approach

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

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

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

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

PROSPECTS AND STRATEGIES

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

Developing Business Opportunities in New Economy Industry

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

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

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

CG CODE A.2.1

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Li Zhong Yuan is the Chairman of the Board and there was no chief executive officer appointed by the Company. Dr. Li Zhong Yuan is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board's affairs and promoting a culture of openness and debate. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is struck by the openness and cooperation spirit of the senior management and the Board, which comprises experienced and high-calibre individuals who would 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 move is being taken should suitable circumstance arise.

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 2020.

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 2020.

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 comprehensive income and the related notes thereto for the year ended 31 December 2020 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.
Li Zhong Yuan
Chairman

Hong Kong, 31 March 2021

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

Executive Directors:
Dr. Li Zhong Yuan
Ms. Liu Rong Rong

Independent non-executive Directors:
Mr. Li Gong
Mr. Wang Jianping
Dr. Shi Ping

* English translation of name is for identification purpose only