联洋智能
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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

2023
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Gu Zhongli *(Chairman)*
Dr. Wang Bangyi *(Chief executive officer)*
Mr. Jin Peiyi

Non-Executive Director

Dr. Dong Liuhuan

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wong Ying Kit

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong law
King & Wood Mallesons

As to PRC law
Beijing Tian Yuan Law Firm

As to Cayman Islands law
Harneys Westwood & Riegels

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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103 South Church Street
P.O. Box 10240
Grand Cayman
KY1-1002
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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189–200 Gloucester Road,
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Hong Kong
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

1561

WEBSITE

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

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Pan Asia Data Holdings Inc. (the "Company"), I would like to review the performance of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 in retrospect and put the Group's prospect in the future into perspective.

In 2023, affected by the instability of the global economy and financial markets, the growth of the fintech industry slowed down with a diversified development pattern. Major players in the fintech market have been accelerating their exploration on cutting-edge technologies to seek breakthroughs for new scenarios. At the same time, they have also attached great importance on the risks that new technologies would bring to the financial market. In China, with the recovering economy, the implementation of macro policies and the release of consumption potential occurring concurrently, the fintech industry is operating in a relatively stable manner domestically, paying more attention to the standardized development of the industry and highlighting its supporting role in the real economy. The development path of major fintech companies has become clearer, as the virtuous circle of "Technology — Industry — Finance" has obviously become the development direction of financial technology.

Under this background, the building up of scientific and technological capacity and the digital transformation of major financial market players have entered the advanced level. On the one hand, major financial companies have emphasized more on business value orientation, encouraging the input-output ratio to become a key goal of technology investment by financial institutions. On the other hand, when the direction of fintech investment is shifting from comprehensive investment to precise investment, the increase in technology investment by leading financial institutions has changed from growing at a high speed to at a low-to-medium speed, focusing on transformation from "Comprehensive Acceleration of Digitalization" to specific business areas such as "Digital Governance", "Digital Marketing" and "Retail Digitization".

Lian Yang Guo Rong Holdings Limited ("LYGR") and its domestic operating companies which are the Group's flagship in big data analysis (the "OPCO") have been deeply involved in the field of digital operations of risk control for financial institutions for many years. Through the independent SaaS/PaaS cloud platform built by the Company, they provide financial institutions in cooperation with support on the artificial intelligence empowered algorithm solutions, digital operation and management capabilities applied to retail finance, specializing in digital capability building in the field of financial risk control.

In 2023, with the development orientation of "Technology — Industry — Finance", the Company insisted on business capability investment and data security governance, and improved its refined service capabilities for customers. By developing differentiated and customized products, financial institutions in cooperation were enabled to better adapt to changes in users' needs generated from socio-economic transformation. By suiting our products into the business demand scenarios of financial institutions in cooperation, we were precisely positioned with business bottlenecks and pain points eliminated and worked hard patiently to become a core supplier to many financial institutions in cooperation. As of the end of 2023, the OPCO had become a major supplier to a number of leading financial institutions of retail credit in China, maintaining rapid growth in business scale. An total revenue of HK$561 million was accumulated for the entire year, representing a year-on-year increase of 41.4% from 2022.

Chairman's Statement

We are still facing new trends and new requirements for future development. The Company shall focus on, materialize and specifically invest in comprehensive product applications and diversified scenario services for efficacy, based on regulatory requirements and market demands. The artificial intelligence empowered algorithm solutions set up by the OPCO are targeted to be embedded into a platform for the full life cycle of intelligent risk control of our customers for their monitoring of and their operational support to all the processes from pre-loan credit assessment, continuous supervision during the loan process to post-loan risk prevention. Meanwhile, the Company will continue to expand into various business fields and business scenarios, and has established technical capabilities and market resource reserves in areas such as customer operations of retail finance and risk control operations of insurance business. We are confident in exploring more business growth in new sectors for the long-term sustainability of the Company.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our employees and management team for their outstanding contributions to the Company, as well as to all our shareholders for their unwavering support and trust in the Company and the team during these years. We always aim at becoming an innovator in digital intelligent application, a practitioner of artificial intelligence technology and a company empowering technology on finance, so as to create greater and more durable value for our customers and our shareholders.

Gu Zhongli
Chairman

Hong Kong, 28 March 2024

Management Discussion and Analysis

RESULTS AND FINANCIAL OVERVIEW

Pan Asia Data Holdings Inc. (the "Company") and its subsidiaries (together the "Group") had a consolidated revenue from continuing operations of approximately HK$563,539,000 (2022: HK$441,913,000) for the year ended 31 December 2023. This represented an increase of approximately 27.5% compared with that for the previous year mainly due to significant increase in the business activities of the Group's big data services segment.

The Group generated revenue from provision of big data services of approximately HK$561,399,000 (2022: HK$397,021,000), provision of third-party payment services of approximately HK$2,140,000 (2022: HK$44,892,000) for the year ended 31 December 2023.

Loss from continuing operations for the year ended 31 December 2023 amounted to approximately HK$132,463,000 (2022: HK$89,216,000), which was mainly attributable to the increases in other losses, distribution and selling expenses and research and development expenses which was partly offset by increase in gross profit.

Loss per share from continuing operations for the year ended 31 December 2023 was approximately HK6.1 cents (2022: HK9.6 cents).

The Group's net asset value per share attributable to owners of the Company as at 31 December 2023 was approximately HK$0.2 (2022: HK$0.2).

FINAL DIVIDEND

The board of Directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

BUSINESS REVIEW

Big Data Business

Lian Yang Guo Rong Holdings Limited ("LYGR"), a subsidiary of the Company, and its subsidiaries (the "LYGR Group") are principally engaged in the development of big data mining, modelling and analytics in general, and the provision of digital risk management and other digital services in retail financial services in particular (the "Big Data Services Segment"). The independent SaaS/PaaS cloud platform established by the LYGR Group has provided support on the artificial intelligence ("AI") empowered algorithm solutions, digital operation and management capabilities applied to retail finance to a large number of core customers including major banks, leading licensed consumer finance companies and large-scale personal credit digital transformation providers in China.

On this basis, the Company further focuses on and materializes comprehensive product applications and diversified scenario services by embedding its product applications into the whole life cycle of intelligent risk control platform of financial institutions in cooperation through developing differentiated and customized products, to form a closer business bond in-depth with its customers. By regular expansion into business areas and operational scenarios, it has established its core products and cultivated high-quality customers in several extended scenarios such as retail user operations, insurance risk control operations and non-financial scenario operations to reserve new business opportunities.

Management Discussion and Analysis

The Group has many years of experience in the big data analysis business of the financial field, and continues to deepen its research and development according to customers' demand and business scenarios. Despite the complex distribution and the fierce competition in the market in 2023, it still achieved rapid development with the revenue and segment profit from the Big Data Services Segment of approximately HK$561,399,000 (2022: HK$397,021,000), representing an increase of approximately 41.4%, and HK$49,435,000 (2022: HK$29,448,000) for the year ended 31 December 2023.

Third-Party Payment Services Business

Day's Enterprise Company Limited* (得仕股份有限公司) ("Days Services"), a member of the Group and a non-wholly owned subsidiary of the Company, operates a digital payment platform, which provides third-party payment services through the following services and products, namely, (1) Internet payment services, (2) prepaid card issue and management services and (3) others (the "Third-Party Payment Services Segment").

The Third-Party Payment Services Segment contributed revenue of approximately HK$2,140,000 (2022: HK$44,892,000), which represented a decrease of approximately 95.2%, and the segment loss increased to approximately HK$123,657,000 (2022: HK$21,299,000) for the year ended 31 December 2023.

Days Services holds a license 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 was expired on 28 August 2021. An application had been made for a renewal of the Payment License (the "Application"). 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 December 2023, Days Services received an Administrative Penalty Decision (Shang Hai Yin Fa Zi[2023] No.30)* (《行政處罰決定書》(上海銀罰字[2023]30號)) dated 19 December 2023 issued by the PBOC Shanghai Branch whereby the PBOC had completed the special enforcement investigation against Days Services pursuant to the relevant laws and it was found that Days Services had committed certain violations against the rules of Measures for the Administration of the Bank Card Acquiring Business* (銀行卡收單業務管理辦法), Administrative Measures for the Online Payment Business of Non-bank Payment Institutions* (非銀行支付機構網絡支付業務管理辦法) and Notice by the People's Bank of China of Matters concerning Further Strengthening Administration of Payment and Settlement to Prevent New Types of Telecommunications and Online Illegal and Criminal Activities* (中國人民銀行關於進一步加強支付結算管理防範電信網絡新型違法犯罪有關事項的通知). The PBOC had decided to impose a penalty of approximately RMB88,731,000 (equivalent to approximately HK$97,434,000) (the "Penalty") which is due within 15 business days. The amount of approximately HK$97,434,000 was provided for and charged to the consolidated statement of profit or loss and other comprehensive income under other gains and losses, net.

In respect of the Penalty, the Group is still in the course of negotiation with the PBOC to settle the Penalty by installment until 31 March 2025. Meanwhile, on 9 February 2024, Days Services was informed that the PBOC had decided to resume the review process in respect of the Application submitted in 2021. Up to the date of this report, the proposed repayment schedule of the Penalty and the Application are still under the review of the PBOC.

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 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.

* *English translated name is for identification purpose only.*

Management Discussion and Analysis

Overall Performance

For the year ended 31 December 2023, the consolidated gross profit from continuing operations and gross profit margin from continuing operations of the Group increased to approximately HK$402,390,000 (2022: HK$267,616,000) and approximately 71.4% (2022: 60.6%) respectively mainly due to substantial growth of revenue from the Big Data Services Segment, which has a higher gross profit margin than the Third-Party Payment Services Segment.

Other income from continuing operations of the Group decreased to approximately HK$2,638,000 (2022: HK$4,005,000) for the year ended 31 December 2023, mainly due to decrease in government grants.

Other losses from continuing operations of the Group amounted to approximately HK$94,840,000 (2022: other gains of approximately HK$5,222,000) for the year ended 31 December 2023. This was primarily due to an increase in penalty expense.

Distribution and selling expenses from continuing operations of the Group increased to approximately HK$117,578,000 (2022: HK$55,888,000) for the year ended 31 December 2023, mainly due to increase in provision for product quality guarantee deposits and staff costs from the Big Data Services Segment.

Administrative expenses from continuing operations of the Group decreased to approximately HK$104,187,000 (2022: HK$109,091,000) for the year ended 31 December 2023. The decrease was mainly attributable to decrease in staff costs from the Big Data Services Segment.

Research and development expenses from continuing operations of the Group increased to approximately HK$222,054,000 (2022: HK$188,471,000) for the year ended 31 December 2023, mainly due to increase in staff costs and technical services expenses from the Big Data Services Segment.

Finance costs from continuing operations of the Group decreased to approximately HK$10,936,000 (2022: HK$15,962,000) for the year ended 31 December 2023, mainly due to the decrease in effective interest expense on convertible bonds and imputed interest on promissory notes payables.

Income tax credit from continuing operations of the Group increased to approximately HK$13,653,000 (2022: HK$6,864,000) for the year ended 31 December 2023, which mainly represented an increase in deferred tax assets in respect of unused tax losses.

Loss for the year from discontinued operation, in relation to the coatings business, of approximately HK$5,814,000 (2022: HK$13,517,000), consisted of gain on disposal of approximately HK$29,543,000 (2022: nil) and loss after taxation of approximately HK$35,357,000 (2022: HK$13,517,000) for the year ended 31 December 2023. For details, please refer to note 34 to the consolidated financial statements in this report.

Management Discussion and Analysis

Others

In June 2021, the Group received an arbitral award issued by the Shanghai International Arbitration Center ("SHIAC") dated 18 June 2021 in relation to the arbitration proceedings ("First Arbitration") 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. The payment had been received in July 2022. However, the arbitral decision did not fully resolve the dispute between the parties.

In 2022, Teknos Group Oy submitted a request for arbitration with SHIAC ("Second Arbitration") in relation to the intended exercise of its right to dispose of the 40% equity interest in Manfield Changzhou to the Group. In April 2023, the Group received an arbitration notice issued by SHIAC in relation to the Second Arbitration.

On 16 November 2023, the Group and Teknos Group Oy entered into a settlement agreement to resolve all their disputes in relation to the repurchase. The acquisition of the 40% equity interest in Manfield Changzhou by the Group forms part of the settlement between the parties. On 22 November 2023, SHIAC issued a decision on dismissal to dismiss the arbitration commenced by Teknos Group Oy.

In October 2022, a litigation claim was made against a non-wholly owned subsidiary of the Group for an outstanding loan principal and interest of approximately RMB17,999,000 (equivalent to approximately HK$20,148,000). On 29 December 2023, the litigation claim is finalised and the non-wholly owned subsidiary of the Group is obligated to the outstanding amount of approximately RMB14,376,000 (equivalent to approximately HK$15,864,000). The directors are of the opinion that an adequate amount has been recognised in the consolidated financial statements as liabilities as at 31 December 2023.

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. As at 31 December 2023, all proceeds from the Listing have been utilised as intended.

* *English translated name is for identification purpose only.*

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

As at 31 December 2023, the Group's non-current assets of approximately HK$495,369,000 (2022: HK$739,502,000) consisted of property, plant and equipment of approximately HK$16,527,000 (2022: HK$143,512,000), right-of-use assets of approximately HK$13,814,000 (2022: HK$57,818,000), intangible assets of approximately HK$367,599,000 (2022: HK$369,558,000), interests in associates of approximately HK$nil (2022: HK$143,957,000), financial assets at fair value through profit and loss of approximately HK$88,281,000 (2022: nil), deferred tax assets of approximately HK$9,148,000 (2022: HK$21,929,000) and deposits paid for non-current assets of approximately HK$nil (2022: HK$2,728,000). These non-current assets are principally financed by the shareholders' funds and borrowings of the Group. As at 31 December 2023, the Group's net current liabilities amounted to approximately HK$21,184,000 (2022: HK$180,571,000).

As at 31 December 2023, the Group had total indebtedness of approximately HK$595,813,000 (2022: HK$640,250,000) which comprised borrowings, financial guarantee contract liabilities, convertible bonds and lease liabilities of approximately HK$5,487,000 (2022: HK$576,898,000), HK$526,961,000 (2022: nil), HK$55,501,000 (2022: HK$50,061,000) and HK$7,864,000 (2022: HK$13,291,000), respectively.

As at 31 December 2023, all the borrowings of the Group, except for amounts equivalent to approximately HK$210,000 (2022: HK$42,515,000) and approximately HK$nil (2022: HK$11,675,000) which was denominated in Renminbi and United States dollars respectively, were denominated in Hong Kong dollars. As at 31 December 2023 and 31 December 2022, all borrowings carried fixed interest rates. As at 31 December 2023 and 31 December 2022, the convertible bonds bear interest of 6% per annum and were denominated in Hong Kong dollars. As at 31 December 2023, subsequent to the default of the convertible bonds, an additional interest has been accrued at the rate of 10% (2022: nil) per annum from the date of occurrence of default until all sums due in respect of such convertible bonds are fully settled. Interest rates for all leases are fixed on the contract dates. As at 31 December 2022, other borrowing of HK$500,000,000 is non-recourse to the Company but is secured by charges over assets of the Company.

As at 31 December 2023, out of the total borrowings, approximately HK$5,277,000 (2022: HK$576,898,000) was repayable within one year and HK$210,000 (2022: nil) was repayable after one year. For details, please refer to note 28 to the consolidated financial statements in this annual report.

As at 31 December 2023, the gearing ratio of the Group was approximately 130.4% (2022: 124.3%), calculated by dividing total debts (which represents the sum of borrowings, financial guarantee contract liabilities, convertible bonds and lease liabilities) by total equity and then multiplied by 100%. Net debt to equity ratio (net debt, being total debts net of bank and cash balances and restricted bank deposits, divided by total equity) of the Group was approximately 79.8% (2022: 53.1%) as at 31 December 2023. The current ratio, calculated by dividing current assets by current liabilities, as at 31 December 2023 was approximately 1.0 times (2022: 0.8 times).

As at 31 December 2023, save as disclosed in note 28 to the consolidated financial statements in this annual report, the Group did not have any assets under charge/pledge.

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

Management Discussion and Analysis

As at 31 December 2023, the Group had capital commitments contracted for but not provided — acquisition of property, plant and equipment of approximately HK$nil (2022: HK$1,476,000) and other commitments contracted for but not provided — proposed purchase of land of approximately HK$nil (2022: HK$6,852,000).

Contingent liabilities

At 31 December 2022, certain subsidiaries of the Group provided financial guarantees to an independent third party in favour of a loan with outstanding principal and interest of approximately RMB13,102,000 (equivalent to approximately HK$14,666,000). A minority shareholder of those subsidiaries has undertaken to assume the responsibility of the entire outstanding loan principal and interest in case of any default event. On 5 September 2023, the guarantee has discharged all its obligations related to the loan. Accordingly, no provision in relation to the guarantee has been made as at 31 December 2023.

Save from disclosed as above, the Group did not have any material contingent liabilities as at 31 December 2023 and 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group did not have any other significant investments or other material acquisitions or disposals during the year ended 31 December 2023 and there was no plan authorised by the Board for other material investments or additions of capital assets up to the date of this annual report.

SIGNIFICANT INVESTMENTS

Save from disclosed in note 19 to the consolidated financial statements in this report, the Group did not have any significant investments as at 31 December 2023 (2022: Nil).

SUBSEQUENT IMPORTANT EVENTS

Subsequent to 31 December 2023 and up to the date of this report, no material event affecting the Group had occurred.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 171 (2022: 864) employees as at 31 December 2023. 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.

LYGR CGU

The Directors consider LYGR as a cash generating unit ("CGU") (the "LYGR CGU") and the goodwill of approximately HK$114,545,000 and other intangible assets of approximately HK$259,875,000 were allocated to the LYGR CGU at the date of acquisition.

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 2023. The Company and the Valuer adopted an income approach, specifically the discounted cash flow method to derive the value in use of the LYGR Group to derive the fair value of LYGR as at 31 December 2023 (the "2023 Impairment Valuation").

Key assumptions adopted in income approach for the 2023 Impairment Valuation include (1) the average revenue growth rate of the LYGR Group between the Financial Year ("FY") of 2024 and FY2028 of approximately 24.6%; (2) gross profit margin of the LYGR Group between FY2024 and FY2028, ranging from approximately 67.0% to 78.0%; (3) net profit margin of the LYGR Group between FY2024 and FY2028, ranging from approximately 7.7% to 28.3%; (4) terminal growth rate of 2.0%; and (5) pre-tax discount rate of approximately 19.1%.

Based on the 2023 Impairment Valuation, the recoverable amount of the LYGR CGU 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 2023.

In the review of methods and assumptions adopted by the Valuer for the 2023 Impairment Valuation of LYGR's goodwill and other intangible assets, the Company has taken into account the following factors:

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 FY2024 and FY2028; (2) gross profit margin of the LYGR Group between FY2024 and FY2028; (3) net profit margin of the LYGR Group between FY2024 and FY2028; (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 considered the financial performance of comparable companies in the market to assess and evaluate the reasonableness of the LYGR Group's financial budgets and forecast.

Management Discussion and Analysis

PROSPECTS AND STRATEGIES

In 2023, the global economy and financial markets remained unstable, the growth of fintech industry slowed down and regional differentiation intensified, entailing an increase in business risks. During the same period, China's domestic market was relatively stable, driven by both policies and domestic demand. However, the development goals and pattern of the fintech industry have changed, and the investment direction for fintech has shifted from comprehensive investment to precise investment. The effect from digital efficiency has become more distinct, imposing challenges particularly on the core competitiveness of fintech service providers.

The Group has many years of experience in the big data analysis business of the financial field, and continues to deepen its research and development according to customers' demand and business scenarios. Despite the complex distribution and the fierce competition in the market in 2023, it still achieved rapid development with the total annual revenue of HK$561 million, representing an increase of approximately 41.4% over the corresponding period in the previous year.

Focus on, Materialization of and Specific Investment In Comprehensive Product Applications and Diversified Scenario Services for Efficacy

The independent SaaS/PaaS cloud platform established by the OPCO has provided support on the artificial intelligence empowered algorithm solutions, digital operation and management capabilities applied to retail finance to a large number of core customers including major banks, leading licensed consumer finance companies and large-scale personal credit digital transformation providers in China.

On this basis, the Company further focuses on and materializes comprehensive product applications and diversified scenario services by embedding its product applications into the whole life cycle of intelligent risk control platform of financial institutions in cooperation through developing differentiated and customized products, to form a closer business bond in-depth with its customers. By regular expansion into business areas and operational scenarios, it has established its core products and cultivated high-quality customers in several extended scenarios such as retail user operations, insurance risk control operations and non-financial scenario operations to reserve new business opportunities.

As a fintech service provider, we are also facing opportunities and adjustments arising from digital transformation. For the future, we still need to constantly make investment in research and development as well as the market, and recognize the artificial intelligence empowered algorithm solutions built by the OPCO as the cornerstone for development, for continued uplift of the Company's core competitiveness and market resources while reducing operating costs and improving service quality and efficiency. Besides, we shall make innovation and development closely following the regulatory requirements and the market demand to adapt to changes and reforms from time to time as well as those on technology, aiming at maintaining and expanding the Company's business scale and market position.

Moreover, in order to promote and enhance the long-term value for shareholders under the background of the above business development, we shall continue to conduct regular reviews on the Group's business operations and financial status in the ever-changing market conditions and economic ecosystem. Based on the review results, the Group may explore and consider the rationalization and optimization of its resource allocation, including asset disposal, joint asset acquisitions, divestiture and fund raising, in order to be well-positioned, realize and expedite the Group's long-term growth potential. If any of such opportunities materialize, the Company shall make a separate announcement in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Biographical Details in Respect of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Gu Zhong Li ("Mr. Gu"), aged 37, was appointed as an executive director of the Company on 15 July 2021 and chairman of the Company on 30 July 2021. Mr. Gu obtained a bachelor's degree in Applied Math from Zhejiang University in 2009 and a master's degree in International Management from Bocconi University in 2012. Mr. Gu has over 10 years' experience in the finance industry. Mr. Gu joined Shanghai Rural Commercial Bank from 2012 to 2016. Mr. Gu won the title of Shanghai Young Expert* (上海市青年崗位能手) in 2017. From 2017 to 2018, Mr. Gu worked at Orient Hongtai (Shanghai) Investment Management Co., Ltd* (東方弘泰(上海)投資管理有限公司) and at Orient Securities Capital Investment Co., Ltd. From 2018 to 2020, Mr. Gu co-founded Beijing Xiyi Assets Management Co., Ltd. as the Managing Director, taking charge of multiple investments in web-security and health-care industries. In June 2020, Mr. Gu joined Lian Yang Guo Rong (Beijing) Science and Technology Co., Ltd.* (聯洋國融(北京)科技有限公司), a subsidiary of the Company as Vice President and Chief Financial Officer and is mainly in charge of the investment, financing and insurance business development.

Dr. Wang Bangyi ("Dr. Wang"), aged 50, was appointed as an executive Director and the Chief Executive Officer of the Company on 22 December 2022. Dr. Wang was graduated with a doctorate degree in economics from the School of Economics and Management of Tsinghua University in July 2005, a master's degree in economics from Xiamen University in June 2000, and a bachelor's degree in engineering from China Three Gorges University in July 1995. Dr. Wang has nearly 20 years of related specialties and management experience. From March 2017 to July 2022, he served as an executive director, the chief executive officer (CEO) at China Re Asset Management (Hong Kong) Company Limited. From November 2004 to September 2008 and from June 2011 to August 2019, he served as an investment manager, department general manager, chief strategy officer and assistant to the general manager at China Re Asset Management Co., Ltd. From September 2008 to June 2011, he also served as the executive general manager of Investment Department of China Galaxy Financial Holdings Company Limited and a senior commissioner of Investment Management Center of Happy Life Insurance Co., Ltd.. Dr. Wang was appointed as a non-executive director of Beijing Jingneng Clean Energy Co., Limited (a company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code: 579) from January 2019 to September 2022. Dr. Wang was also appointed as a non-executive director of Huadian Fuxin Energy Corporation Limited (a company whose shares are previously listed on the Stock Exchange with stock code: 816 and delisted in October 2020) from June 2019 to October 2020. Dr. Wang was also appointed as a non-executive director of China Development Bank Financial Leasing Co., Ltd. (a company whose shares are listed on the Stock Exchange with stock code: 1606) from March 2020 to December 2021.

Mr. Jin Peiyi ("Mr. Jin"), aged 38, was appointed as an executive director of the Company on 30 July 2021. Mr. Jin, obtained a master's degree in International Hospitality and Hotel Management from University of Western Sydney, Australia in 2011. Mr. Jin started his career as a cofounder at Australia Health World Pty, Ltd from 2011 to 2013. Mr. Jin has been the CEO of Shanghai Office Real Estate Management Co, Ltd since 2014 and the CEO of Shanghai Trust & Moral Investment Management Co, Ltd since 2016. Mr. Jin has been a director of Shanghai St. Office Medical Equipment Co, Ltd since 2009 and a director of Shanghai Shengheng Capital Funding Co, Ltd since 2013.

NON-EXECUTIVE DIRECTOR

Dr. Dong Liuhuan ("Dr. Dong"), aged 46, was appointed as a non-executive director of the Company on 4 February 2022. Dr. Dong obtained a bachelor's degree in Applied Mathematics from Nankai University in July 2000, and a doctoral degree in Probability and Mathematical Statistics from Nankai University in December 2005.

* *English translated name is for identification purpose only.*

Biographical Details in Respect of Directors and Senior Management

After completing his post-doctoral programs at the Chinese Academy of Sciences (December 2005 to September 2007), Dr. Dong successively joined renowned companies in the industry including IBM (China) Limited/Ilog Software Technology (Shanghai) Co., Ltd. (September 2007 to December 2010), Fair Isaac Information Technology (Beijing) Co., Ltd (January 2011 to August 2013), SAS Software (Beijing) Co., Ltd. (August 2013 to May 2015). From May 2015 to August 2018, Dr. Dong co-founded Tong Dun Technology* (同盾科技) as the Chief Risk Control Officer and held the position as the Chief Data Scientist of Mashang Consumer Finance* (馬上消費金融) from June 2018 to July 2020. From July 2020 to March 2023, Dr. Dong served as a director and vice president at Lian Yang Guo Rong (Beijing) Science and Technology Co., Ltd.* (聯洋國融(北京)科技有限公司), a subsidiary of the Company. From July 2021 to March 2023, Dr. Dong served as the general manager at Lian Yang Guo Rong (Shanghai) Technology Co., Ltd.* (聯洋國融(上海)科技有限公司), a subsidiary of the Company. Dr. Dong has long been engaged in the application of decision science, artificial intelligence, operations research, knowledge graph and complex network in the finance industry. He has over 15 years of professional experience in financial risk management and anti-fraud, new retail customer value enhancement, credit data analysis of factoring loans/small and micro loans/supply chain credit and specializes in risk control of big data in the finance industry and anti-fraud analysis and modeling.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Gong ("Mr. Li"), aged 65, was appointed as an independent non-executive director of the Company on 10 December 2018. Mr. Li studied physics at Fudan University and obtained a bachelor of science and master of science in electrical engineering at the University of Houston U.S.A. in 1983 and 1985 respectively. He then started his career at Accenture in 1985 as a consultant and spent 30 years at Accenture. Mr. Li was a member of Accenture Global Leadership Council, a senior managing director and the Chairman of Greater China region when he decided to retire from Accenture in 2015. Mr. Li served as a member of the board of several of Accenture's joint ventures in Asia including China Communications Services Software Technology Company in China. He also served as a member of an advisory committee to the Shanghai Municipal Government, and was a recipient of Magnolia Gold Award (白玉蘭榮譽獎) of Shanghai Municipality. Mr. Li was also an advanced leadership fellow at Harvard University U.S.A. from December 2015 to December 2016.

Dr. Shi Ping ("Dr. Shi"), aged 61, was appointed as an independent non-executive director of the Company on 10 December 2018. Dr. Shi received a bachelor of science in economics from Nanjing University of Finance and Economics in 1985, a master of science in economics from Nanjing University in 2006, and also a PhD in resource economics from China University of Geosciences in 2014. Dr. Shi is the Dean of Nanjing Audit University's School of Crowe Chinese Auditing, Nanjing Audit University is the only university cofounded by the National Audit Office of the PRC, one of the 26 Ministries and Commissions composing the PRC State Council. Dr. Shi is the Chairman of Jiangsu Association of Wealth Managers and has been awarded with the status of consulting expert on managerial accounting by the Bureau of Finance of Jiangsu Province. Dr. Shi has been involved in financial theory and practice researches over 10 years, and chaired and participated in four research projects of provincial and ministerial levels. Dr. Shi has been a supervisor* (監事) of Nanjing King-friend Biochemical Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603707) since 2019 and of Jiangsu Huaxicun Holding Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000936) since 2020. Dr. Shi has been an independent non-executive director of Cocreation Grass Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 605099) since 2021, of Jiangsu Daybright Intelligent Electric Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300670) since 2020, of Nanjing Sengen Technology Co., Ltd.* (南京森根科技股份有限公司) since 2019 and of Kunshan Voso Hinge Intelligence Technology Co., Ltd.* (昆山瑋碩恒基智能科技股份有限公司) since 2021.

* *English translated name is for identification purpose only.*

Biographical Details in Respect of Directors and Senior Management

Ms. Xu Yanqiong ("Ms. Xu"), aged 37, was appointed as an independent non-executive director of the Company on 28 December 2021. Ms. Xu obtained a master's degree of Accounting from Macquarie University, Australia, in 2015. Ms. Xu has over 13 years of professional experience in financial management. Ms. Xu was Finance Director of Sydney Bargo Shell Pty Ltd from 2017 to 2020 and was the Finance Business Partner of Sealord Australia Pty Limited from March 2021 to September 2021. She is a member of CPA Australia.

SENIOR MANAGEMENT

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors, as named above. Only the Executive Directors are regarded as members of the Group's senior management.

Directors' Report

The board of directors (the "Board") of Pan Asia Data Holdings Inc. (the "Company" and together with its subsidiaries collectively referred to as the "Group") present their annual report together with the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements. Details and analyses of the main business segments of the Group during the year are set out in note 5 to the consolidated financial statements. In addition, discussions on the Group's environmental policies and performance and the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group's success are provided in the Environmental, Social and Governance Report accompanying of this annual report.

As far as the Board and the management are aware, save for the non-compliance with chapter 14 of the Listing Rules as disclosed in the announcements of the Company published on 5 December 2023 and in April 2024, the Group has, in all material aspects, complied with the laws and regulations that are applicable to its business operations during the year. The relevant laws and regulations that have a significant impact on the Company include, among others, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance, the Companies Law of the Cayman Islands and the laws and regulations in relation to its business including those relating to environmental protection, production safety, product quality, labour contracts, employee benefits, foreign exchange, taxation and intellectual property rights.

Further discussion and analysis as required by the Listing Rules can be found in the section headed "Management Discussion and Analysis" in this annual report. The financial risk management objectives and policies of the Group can be found in note 42 to the consolidated financial statements.

MAJOR RISKS AND UNCERTAINTIES

The Directors are aware that the Group's financial position, operating results and business outlook may be subject to many risks and uncertainties directly or indirectly relating to the business of the Group, and have put in place the relevant policies to ensure continuous identification and management of the adverse impacts such risks might have on the Group. The major risks and uncertainties currently facing by the Group are set out below:

Business Risk

Most of the operating assets of the Group are located in the PRC and the Group expects that a majority of the turnover will continue to be derived from the operations in the PRC. The results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the current or future business, results of operation or financial condition of the Group.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Financial Risk

The financial risk management of the Group are set out in note 42 to the consolidated financial statements.

Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 68 and 69.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

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

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 72 and note 43 to the consolidated financial statements.

As at 31 December 2023, the reserves of the Company available for distribution to shareholders amounted to approximately HK$312,471,000 (2022: HK$393,546,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 164 of this annual report.

FIXED ASSETS

Details of movements in the property, plant and equipment, right-of-use assets and intangible assets of the Group during the year are set out in notes 15, 16 and 17 to the consolidated financial statements, respectively.

CONVERTIBLE BONDS

On 22 December 2021, the Company issued a total amount of HK$46 million convertible bonds in Hong Kong with a coupon rate of 6.0% per annum and a maturity of 18 months, attached to which are options for holders to convert the whole or any part thereof into new ordinary shares of HK$0.01 each in the share capital of the Company (the "Share(s)") at the conversion price of HK$2.40 per Share. For details, please refer to note 29 to the consolidated financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

Directors' Report

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Mr. Gu Zhongli *(Chairman)*
Dr. Wang Bangyi
Mr. Jin Peiyi
Mr. Charles Simon (resigned on 20 January 2023)

Non-executive Director:

Dr. Dong Liuhuan

Independent Non-executive Directors:

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

In accordance with Articles 84 and 85 of the articles of association of the Company ("the Articles of Association"), at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Accordingly, Mr. Gu Zhongli, Mr. Jin Peiyi and Mr. Li Gong will retire from office by rotation and, being eligible, will offer themselves for re-election as a Director at the annual general meeting of the Company in 2024 ("the AGM").

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out on pages 13 to 15 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly with the Group's business at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2023, the interests of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests in the shares of the Company

Name of Director	Type of interest	Date of share options granted	Number of share options outstanding	Percentage of interest upon full exercise of share options(i)
Mr. Li Gong	Long position	27 July 2021	740,000	0.07%
Dr. Shi Ping	Long position	27 July 2021	740,000	0.07%

Notes:

(i) The percentage represents the number of underlying shares in which the Director is interested divided by the enlarged issued share capital of the Company as at 31 December 2023, assuming all the outstanding share options are exercised.

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

Save as disclosed above, as at 31 December 2023, none of the Directors, or the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE AWARD SCHEME

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

1. Objectives: The objectives of the Share Award Scheme are (i) to recognise the contributions by certain selected grantees (including (i) any employee or director (including without limitation any non-executive director) of any member of the Group; (ii) any consultant, agent, representative or adviser of the Company or any affiliate; (iii) any person who provides goods or services to the Company or any affiliate; (iv) any customer or contractor of the Company or any affiliate; (v) any business ally or joint venture partners of the Company or any affiliate; and (vi) any trustee of any trust established for the benefit of employees.) and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

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

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

4. Operation: The Board may from time to time cause to be paid a contributed amount to the trust constituted by a trust deed dated 20 January 2020 by way of settlement or otherwise contributed by the Company or any subsidiary as directed by the Board which shall constitute part of the trust fund, for the purchase of Shares and other purposes set out in the Share Award Scheme rules and the trust deed. The Board may from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange and specify the maximum amount of funds to be used and the range of prices (which are determined based on the prevailing market prices of the Shares) at which such Shares are to be purchased. The trustee shall apply such amount of residual cash towards the purchase of such maximum board lot of Shares at the prevailing market price according to the instructions from the Board. Once purchased, the Shares are to be held by the trustee for the benefit of selected grantees under the trust on and subject to the terms and conditions of the Share Award Scheme and the trust deed. The trustee shall keep the Board from time to time of the number of Shares purchased and the price at which those Shares have been purchased. The Shares so purchased and the remaining balance of any residual cash shall form part of the trust fund.

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

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

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

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

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

During the year ended 31 December 2023 and up to the date of this annual report, no awarded shares were granted under the Share Award Scheme.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 June 2021 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The numbers of options available for grant under the Share Option Scheme on 1 January 2023 and 31 December 2023 are 47,648,366. There is no option granted during the year ended 31 December 2023.

1. Purposes

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

2. Participants and determination of eligibility

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

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

3. Duration and Administration

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

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

4. Grant of options

On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within ten (10) years from the Adoption Date to make any offer (subject to such conditions as the Board may think fit) to any participant as the Board may in its absolute discretion select to take up an option pursuant to which such participant may, during the option period, subscribe for such number of Shares as the Board may determine at the subscription price. An offer must be accepted within seven (7) days from and including the offer date or otherwise it shall be deemed declined by the participant in question. The amount payable to the Company by a participant on acceptance of an Offer is HK$1.00.

5. Subscription price

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

6. Maximum number of shares

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

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

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

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

7. Maximum entitlement of each participant

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

8. Exercise of options

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

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

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

The followings are details of the options granted pursuant to the Share Option Scheme but not yet exercised as at 31 December 2023:

Grantee(s)	Date of grant	Number of share options: As at 1 January 2023	Granted	During the reporting period: Exercised	During the reporting period: Cancelled	Lapsed	As at 31 December 2023	Exercise Price HK$	Approximate % of shareholding upon full exercise of share options Note (i)
Independent non-executive Directors									
Mr. Li Gong	27 July 2021	740,000	–	–	–	–	740,000	2.056	0.07%
Dr. Shi Ping	27 July 2021	740,000	–	–	–	–	740,000	2.056	0.07%
		1,480,000	–	–	–	–	1,480,000		0.14%
Employees of the Group	27 July 2021	7,380,000	–	–	–	–	7,380,000	2.056	0.68%
Consultants of the Group	27 July 2021	17,400,000	–	–	–	(7,400,000)	10,000,000	2.056	0.92%
Total		26,260,000	–	–	–	(7,400,000)	18,860,000		1.74%

Notes:

(i) The percentage represents the number of underlying shares interested divided by the enlarged issue share capital of the Company as at 31 December 2023, assuming all the outstanding share options are exercised.

(ii) The exercise period of the outstanding options is from the date of grant (i.e. 27 July 2021) to 26 July 2030, both dates inclusive. There is no vesting period for the share options as at 31 December 2023, and all of the share options have been fully vested to the grantees on 27 July 2021, being the date of grant.

(iii) The closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet immediately before the date on which the outstanding options were granted (i.e. 26 July 2021) is HK$2.08.

Save as disclosed above, during the year ended 31 December 2023 and up to the date of this annual report, no other options were granted under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

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

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares, or debentures, of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Interests or short positions in the shares of the Company

Name	Type of interest	Capacity/ Nature	Number of Shares held/ interested	Percentage of interest
Mr. Sze Ching Lau	Long position	Beneficial owner	223,744,000	21.00%
Lian Yang Investment Limited	Long position	Beneficial owner	76,092,789	7.14%

Notes:

(1) As of 31 December 2023, the Company's total number of issued shares was 1,065,454,100.

Save as disclosed above, as at 31 December 2023, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 December 2023, which did not constitute connected transactions under the Listing Rules, are disclosed in note 38 to the consolidated financial statements.

PERMITTED INDEMNITY

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

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

On 18 April 2023, 35,963,448 new ordinary shares were allotted and issued by the Company to creditors, being third party independents of the Group, at the subscription price of HK$1.60 per share (the "Debt Capitalisation I"). The consideration for the Debt Capitalisation I is a full and irrevocable settlement of the aggregated outstanding sum of the debts amounted to approximately HK$57,542,000 owed by the Company to the creditors. Details of the Debt Capitalisation I were disclosed in the Company's announcements dated 27 March 2023 and 18 April 2023.

On 30 June 2023, 5,025,479 new ordinary shares were allotted and issued by the Company to a creditor, being a third party independent of the Group, at the subscription price of HK$1.60 per share (the "Debt Capitalisation II"). The consideration for the Debt Capitalisation II is a full and irrevocable settlement of the outstanding sum of the debt amounted to approximately HK$8,041,000 owed by the Company to the creditor. Details of the Debt Capitalisation II were disclosed in the Company's announcements dated 21 June 2023 and 30 June 2023.

On 20 October 2023 and 30 October 2023, an aggregate of 170,148,192 new ordinary shares were allotted and issued by the Company to subscribers, being third party independents of the Group, at the subscription price of HK$0.18 per share (the "Share Subscription"). The aggregate gross proceeds raised from the Share Subscription were approximately HK$28.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK$26.4 million, which are intended to be fully used for the Group's general working capital purposes (such as overhead and debt management, amongst others). Details of the Share Subscription were disclosed in the Company's announcements dated 9 October 2023 and 30 October 2023. As at the date of this annual report, all proceeds from the Share Subscription have been utilised as intended.

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 2023.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the aggregate amount of revenue attributable to the Group's five largest customers was approximately 90.0% of the Group's total revenue and the Group's largest customer accounted for approximately 71.5% of the Group's total revenue. During the year ended 31 December 2023, the aggregate amount of purchases attributable to the five largest suppliers was approximately 64.7% of the Group's total cost of sales and the Group's largest suppliers accounted for approximately 45.3% of the Group's total cost of sales. None of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the number of issued shares of the Company) had any beneficial interests in the Group's five largest customers and suppliers.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

Directors' Report

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year, the Group made donations amounting to approximately HK$218,000 (2022: HK$793,000).

EVENTS AFTER THE REPORTING PERIOD

No significant events affecting the Group had occurred after the reporting period.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Baker Tilly Hong Kong Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

There has been no change in the auditor of the Company during the past three years.

On behalf of the Board
Pan Asia Data Holdings Inc.

Gu Zhongli
Chairman

Hong Kong, 28 March 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2023, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current practices will be reviewed and continuously updated.

To the best knowledge of the Board, throughout the year ended 31 December 2023, the Company complied with all the code provisions set out in the CG Code.

CORPORATE CULTURE

The Group recognises that a good corporate culture is vital to its corporate governance and has gradually developed a pragmatic and prudent corporate culture since its establishment, which has been reflected in the overall operations and management of the Group, in order to facilitate the long-term sustainability of the Group. The Group makes every effort to uphold a high standard of business ethics and prohibition of any forms of bribery and corrupt practices. In order to establish a healthy corporate culture and promote high ethical standards within the Group, the Group has established an anti-corruption policy and an whistle-blowing policy, which set outs, including but not limited to, (i) the types of breaches and conduct issues, and the personnel to which the policies apply; (ii) declaration of conflicting interests mechanisms; (iii) responsibilities of the relevant department(s) of the Group; (iv) consequences for breaching the relevant policies; and (v) whistle-blowing policy, with an aim to encourage our employees to report behaviour that is not in line with the principles of ethics and the Group's policy such as events that are non-compliant with the Group's policy, laws, rules, regulations, general practice of financial reporting and internal control.

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 comply with 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 2023.

BOARD OF DIRECTORS

The Board currently comprises seven Directors in total, with three Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

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

Executive Directors:

Mr. Gu Zhongli *(Chairman)*
Dr. Wang Bangyi (Chief executive officer)
Mr. Jin Peiyi
Mr. Charles Simon (resigned on 20 January 2023)

Non-executive Director:

Dr. Dong Liuhuan

Independent Non-executive Directors:

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

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

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

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

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

Directors	Attendance/ number of Board meetings held during tenure	Attendance rate
Executive Directors		
Mr. Gu Zhongli *(Chairman)*	14/14	100%
Dr. Wang Bangyi *(Chief executive officer)*	14/14	100%
Mr. Jin Peiyi	14/14	100%
Mr. Charles Simon (resigned on 20 January 2023)	1/1	100%
Non-executive Director:		
Dr. Dong Liuhuan	3/14	21%
Independent Non-executive Directors:		
Mr. Li Gong	14/14	100%
Dr. Shi Ping	14/14	100%
Ms. Xu Yanqiong	14/14	100%

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

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

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

Corporate Governance Report

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

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

Directors' Training

As part of an ongoing process of directors' training, the Company Secretary continuously updates all Directors on latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training.

Pursuant to CG Code C.1.4, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

Directors' and Officers' Liabilities Insurance

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

Appointment and Re-election of Directors

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

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Currently, among all seven members of the Board, one is female (i.e. Ms. Xu Yanqiong). Given the current composition of the Board, the Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of gender, knowledge, experience and skills of the directors.

Gender Diversity of Senior Management and Employees

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered and ensure that gender diversity is taken into account when recruiting staff members of mid to senior level. During the year under review, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

As at 31 December 2023, the Group had 65 female employees, accounting for 38.0% of total employees, and 106 male employees, accounting for 62.0% of total employees. The gender ratio of male to female in the workforce of the Group was approximately 62:38. The Company considers that it has met the objective in gender diversity to achieve gender balance in key roles.

Dividend Policy

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

Corporate Governance Function

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

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

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

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

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

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

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

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee was established on 6 November 2015 with written terms of reference revised on 30 December 2022. The terms of reference of the Remuneration Committee are available on the website of the Stock Exchange and that of the Company at http://www.irasia.com/listco/hk/pad/.

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

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

Name of members	Attendance/ number of Remuneration Committee meetings held during tenure	Attendance rate
Ms. Xu Yanqiong *(Chairman)*	1/1	100%
Mr. Gu Zhongli	1/1	100%
Mr. Li Gong	1/1	100%

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

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

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

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

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

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

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

(vi) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

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

Corporate Governance Report

Pursuant to the code provision E.1.5 of the CG Code, the annual remuneration of the member of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration	Number of individuals
HK$500,001 to HK$1,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$7,500,001 to HK$8,000,000	1

Nomination Committee

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

The Nomination Committee currently comprises three members including one Executive Director, namely Mr. Gu Zhongli, and two Independent Non-executive Directors, namely Mr. Li Gong and Ms. Xu Yanqiong. The Chairman of the Nomination Committee is Mr. Li Gong.

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

Name of members	Attendance/ number of Nomination Committee meetings held during tenure	Attendance rate
Mr. Li Gong *(Chairman)*	1/1	100%
Mr. Gu Zhongli	1/1	100%
Ms. Xu Yanqiong	1/1	100%

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

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

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

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

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

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

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

Audit Committee

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

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

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

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

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

(i) reviewed the financial reports for the year ended 31 December 2022 and for the six months ended 30 June 2023;

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

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

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2022; and

(v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 31 December 2023.

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

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

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

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

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

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

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

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

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that the Board procedures are followed and facilitating communications among the Directors as well as with shareholders and management. During 2023, Mr. Wong Ying Kit has attended relevant professional training to update his skills and knowledge. He met the training requirements as required under Rule 3.29 of the Listing Rules.

EXTERNAL AUDITOR

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2023.

During the year ended 31 December 2023, the auditor's remuneration in respect of audit services and non-audit services provided by the auditor of the Group charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,650,000 (2022: HK$3,080,000) and approximately HK$1,060,000 (2022: HK$1,080,000), respectively. The non-audit services mainly consist of work on agreed-upon procedures and consulting services in relation to the environmental, social and governance reporting.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

As the Group has no in-house internal audit function, the Group has engaged an external professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the effectiveness of the risk management and internal control systems of the Group, and ensures that a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for each financial year will be conducted at least annually. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

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

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

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

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

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of annual reports, interim reports and the consolidated financial statements of the Company that give a true and fair view in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Listing Rules. The statement by the independent auditor about its reporting responsibilities relating to the financial statements for the year ended 31 December 2023 is set out in the Independent Auditor's Report.

SHAREHOLDERS' COMMUNICATION

The Company has established a communication policy with shareholders and external parties and maintains different communication channels with its shareholders through the publication of annual and interim reports, circulars and announcements. During the year ended 31 December 2023, an annual general meeting (the "2022 AGM") was held and the attendance of each Director at the 2022 AGM are set out as follows:

Directors	Attendance/ number of 2022 AGM held during tenure
Executive Directors	
Mr. Gu Zhongli *(Chairman)*	1/1
Dr. Wang Bangyi *(Chief executive officer)*	1/1
Mr. Jin Peiyi	1/1
Mr. Charles Simon (resigned on 20 January 2023)	N/A
Non-executive Director	
Dr. Dong Liuhuan	0/1
Independent Non-executive Directors	
Mr. Li Gong	0/1
Dr. Shi Ping	1/1
Ms. Xu Yanqiong	1/1

The AGM provides a useful forum for shareholders to exchange views with the Board. At the Company's 2022 AGM, the Chairman of the Board as well as the Chairman of the Audit Committee and Remuneration Committee were present to answer shareholders' questions.

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

The Company's 2022 AGM was held on 26 June 2023 and notice of the 2022 AGM was sent to shareholders at least 20 clear business days prior to the meeting. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings. Under CG Code C.1.6, 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.

The forthcoming AGM will be held in on Thursday, 27 June 2024, an notice of it will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Other shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporation Information section of this Report, for the attention of the Company Secretary.

Right to convene special general meeting

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting can be convened on the requisition of any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

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

The requisition must be signed by the requisitionists and deposited at the registered office of the Company at the office of Harneys Fiduciary (Cayman) Limited at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands or the head office and principal place of business of the Company in Hong Kong at Room B 29/F, The Sun's Group Centre, 189–200 Gloucester Road, Wan Chai, Hong Kong for the attention of the Company Secretary.

Right to put forward proposals at general meetings

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. Shareholders can also send enquiries and proposals to be forward for shareholders' consideration at shareholders' meetings to the Board in writing to the head office and principal place of business of the Company in Hong Kong at Room B 29/F, The Sun's Group Centre, 189–200 Gloucester Road, Wan Chai, Hong Kong or directly by raising questions at the general meeting of the Company.

INVESTOR RELATIONS

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The Company keeps the shareholders updated on the recent development of the Group from time to time. The Company maintains a website at http://www.irasia.com/listco/hk/pad/ where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Remuneration Committee, the Nomination Committee and the Audit Committee, procedures for nomination of Directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time. The Board considers that the shareholders communication policy is effective during the year ended 31 December 2023 since all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner during the year.

On behalf of the Board
Pan Asia Data Holdings Inc.

Gu Zhongli
Chairman

Hong Kong, 28 March 2024

Environmental, Social and Governance Report

OVERVIEW OF THE REPORT

Pan Asia Data Holdings Inc. (the "Company", and its subsidiaries, collectively the "Group", "we" or "us") hereby presents its Environmental, Social and Governance ("ESG") Report (the "Report") for the year ended 31 December 2023.

Reporting Scope and Reporting Period

The boundary is consistent with the business units stated in the annual report, which covers our three businesses: (1) big data business; (2) third-party payment services; and (3) manufacturing customised liquid and powder coatings.

Unless otherwise specified, the environmental disclosures in the Report cover big data business in Beijing and Shanghai, third-party payment services in Shanghai, and coating production plant in Guangzhou, and in the People's Republic of China (the "PRC"). The social disclosures in the Report cover all locations of the operating entities of the Group[1]. However, the reporting scope remains largely the same as last reporting period,with the exception of the manufacturing customized liquid and powder coating business. This is due to the discontinuation of the business in November 2023. Therefore, this report does not include the aforementioned business in its scope starting from November 2023.

The Report covers the period from 1 January to 31 December 2023 (the "Reporting Period"), which is consistent with the financial year covered by the 2023 Annual Report of the Group.

Preparation Basis of the Report

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and complies with all provisions of "Comply or Explain" as well as the reporting principles of materiality, quantitative, balance and consistency. In preparing the Report, we have adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant Key Performance Indicators ("KPIs"). Since the manufacturing customized liquid and powder coating business was discontinued during the Reporting Period, this report only includes information about the business prior to its discontinuation. Therefore, a significant change potentially exists. The application of materiality is detailed in the subsection headed "ESG Management — Materiality Assessment".

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

Source of Data and Reliability Statement

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

Contact Us

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

E-mail: info@panasiadata.com

Postal address: Room B, 29/F, The Sun's Group Centre, 189–200 Gloucester Road, Wan Chai, Hong Kong

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

Environmental, Social and Governance Report

ESG MANAGEMENT

Statement from the Board of Directors

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

We have a well-established governance structure to effectively oversee our ESG issues and manage our sustainability performance. The Board of Directors of the Group (the "Board") assumes ultimate responsibility for overseeing our Group's ESG-related risks and opportunities, establishing the ESG-related strategies and targets of our Group, and reviewing our Group's performance annually against the ESG-related targets. Growing environmental concerns, increasingly complex regulations, and shifting stakeholder expectations drive the need for setting target and assist the Group to enhance sustainability strategy that aligns with and complements our business strategy. In pursuant to our commitment towards responsible corporate citizenship, we have set up an ESG Working Group (the "ESG Working Group"). Our ESG Working Group has been established with senior management and department heads across different functions. The key responsibilities include supporting the Board in implementing ESG-related strategies and targets, managing and promoting the implementation of measures in relation to ESG issues identified. To effectively and accurately evaluate ESG-related issues that are considered material and relevant to the Group, the Board requires the ESG Working Group to report ESG updates to the Board regularly.

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

Board

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

ESG Working Group

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

Functional Department

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

Our Stakeholders

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

Major issues concerning stakeholders and corresponding measures:

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

Materiality Assessment

ESG issues that are pertinent to the Group and its stakeholders are identified through materiality assessment, which is a crucial step in developing the sustainability strategy. The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG reports, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map[2]. The ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. Our approach to the materiality assessment is as follows:

Identification of material ESG issues — We engaged our business functions through internal meetings, daily communication and questionnaires to identify and assess the materiality of relevant ESG issues of our business as well as our stakeholders.

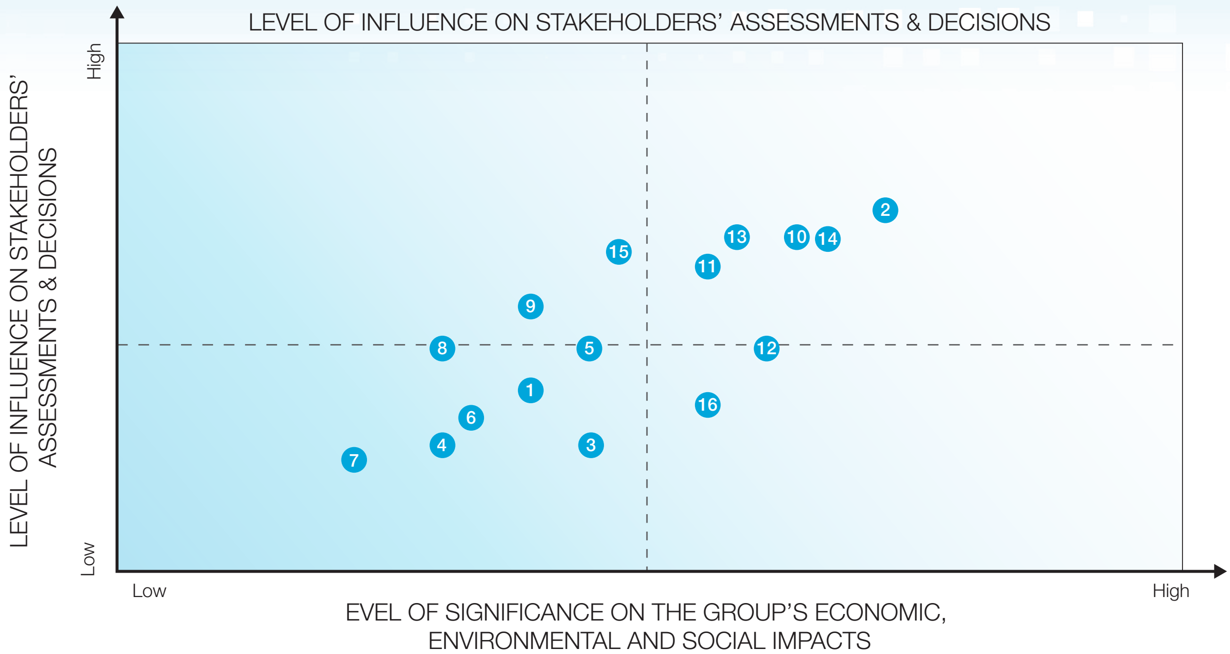
Prioritisation of the ESG issues — The ESG issues were discussed and prioritised by the ESG Working Group in terms of economic, environmental and social impacts to the Group.

Validation of the material ESG issues — The material ESG issues would be summarised in this ESG Report after the Board endorsed the prioritisation result.

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

Environmental, Social and Governance Report

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



Environmental	
1. Emission	5. Energy Consumption
2. GHG Emission	6. Water Consumption
3. Hazardous Waste	7. Natural Resources
4. Non-hazardous Waste	8. Climate Change

Social	
9. Employment	13. Supply Chain Management
10. Health and Safety	14. Product and Service Responsibility
11. Development and Training	15. Anti-corruption
12. Labour Standards	16. Community Investment

Environmental, Social and Governance Report

ENVIRONMENTAL

Overview

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

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

Air Emissions

During the Reporting Period, the Group's air emissions derive mainly from its self-owned vehicles and gas cooking stoves used in the canteen. As compared to the previous reporting period, there was a decrease in Nitrogen Oxides ("NO_x"), Sulphur Oxides ("SO_x") and Particulate Matter ("PM") emissions. The plunge is mainly because the staff canteen outsourced, which led to a reduction in LPG usage for cooking stoves of the Group. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining air emissions between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period. For fleet management, regular maintenance checks are performed for all the vehicles to enhance fuel consumption efficiency, ensure road safety and to keep air emissions at their minimum.

Detailed breakdown of air emissions produced by the Group:

MAJOR Air Emissions	Unit[3]	**Year ended 31 December 2023**	Year ended 31 December 2022
NO_x	kg	**72.48**	98.00
SO_x	kg	**0.12**	0.23
PM	kg	**3.66**	5.11

3 The discourse of air emissions unit change from tonnes to kg for meaningful comparison.

Greenhouse Gas Emissions

Direct Greenhouse Gas ("GHG") emissions mainly come from the combustion of fuels by vehicles and in stationary sources. Indirect emissions derive principally from purchased electricity and paper disposal.

Detailed breakdown of GHG emissions produced by the Group:

GHG Emissions	Unit	Year ended 31 December 2023	Year ended 31 December 2022
***Scope 1 — Direct Emissions*[4]**			
Fuel Combustion	Tonnes of carbon dioxide equivalent ("**tCO_2e**")	**20.29**	76.66
Scope 2 — Energy Indirect Emissions			
Purchased Electricity	tCO_2e	**1,596.28**	1,648.73
Scope 3 — Other Indirect Emissions			
Paper Waste Disposed	tCO_2e	**11.77**	14.10
Total GHG Emissions	tCO_2e	**1,628.34**	1,739.49
GHG Emissions Intensity	tCO_2e/HK$'000	**0.0017**	0.0021

During the Reporting Period, the GHG emissions intensity of the Group has decreased by 19%, which the target has been achieved. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emissions intensity between 90% to 120% for the next reporting period, against the level of the baseline year ended 31 December 2023, through adopting the mitigating measures detailed in the subsection headed "Energy Use Efficiency".

Waste Management

Hazardous wastes include chemical wastes, coating scrap, and sludge from wastewater treatment plants generated from manufacturing. Non-hazardous wastes include waste paper, food wraps and stationery.

Detailed breakdown of waste generated by the Group:

Waste	Unit	Year ended 31 December 2023	Year ended 31 December 2022
Total Hazardous Waste Generated	Tonnes	**51.09**	28.00
Hazardous Waste Intensity[5]	Tonnes/HK$'000	**0.00005**	N/A
Total Non-hazardous Waste Generated	Tonnes	**87.51**	101.00
Non-Hazardous Waste Intensity	Tonnes/HK$'000	**0.00009**	0.00012

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

5 To align with the consistency reporting principle, the intensity has been calculated and restated for both hazardous and non-hazardous waste by using the Group's total revenue of HK$'000.

During the Reporting Period, the Group experienced a significant increase in the intensity of hazardous waste generated. This increase was driven by the business and client's needs, which resulted in the failure to achieve the target. On the other hand, the intensity of non-hazardous waste generated has decreased by 25%, indicating the successful achievement of the target for non-hazardous waste. Our Group will target to reduce or maintain the production of hazardous waste and non-hazardous waste intensity between 90% to 120% for the next reporting period, against the level of the baseline year ended 31 December 2023.

Wastewater Discharge

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

Measures to Reduce Waste Generation

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

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

Use of Resources

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

Detailed breakdown of energy consumption by the Group:

Energy Consumption[6 7]	Unit	**Year ended 31 December 2023**	Year ended 31 December 2022
Direct Energy Consumption	Megawatt-hour ("MWh")	**120.63**	N/A
Indirect Energy Consumption	MWh	**2,799.03**	2,890.91
Total Energy Consumption	MWh	**2,919.66**	N/A
Energy Consumption Intensity[8]	MWh/HK$'000	**0.0031**	N/A

6 The data on energy consumption for the Reporting Period are disclosed in accordance with "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange to display the more comprehensive performance of the Group; Relevant data have been disclosed since this Reporting Period; The unit conversion method of energy consumption data is formulated according to the "Energy Statistics Manual" issued by International Energy Agency.

7 As the Group has revised the energy consumption disclosure, hence the target set in last reporting period is no longer applicable.

8 To align with consistency reporting principle, the intensity has been calculated and restated for energy consumption by using the Group's total revenue of HK$'000.

Considering the difficulty in predicting the future regulatory requirements and operational arrangement, the Group will target to reduce or maintain the energy consumption intensity between 90% to 130% for the next reporting period, against the level of the baseline year ended 31 December 2023, given that there is no power restriction, or the period of restriction imposed remains similar, or there is no sudden change in the operational arrangement.

Water Usage

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

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

Detailed breakdown of water usage by the Group:

Water Consumption	Unit	**Year ended 31 December 2023**	Year ended 31 December 2022
Total Water Consumption	m^3	**24,552.00**	15,699.00
Water Consumption Intensity	m^3/HK$'000	**0.03**	0.02

During the Reporting Period, the water consumption intensity of the Group has increased significantly due to the business need during the Reporting Period, which led to not achieving the target. The Group will make continuous efforts in working towards the target of maintaining or reducing or maintaining the water consumption intensity between 90% to 120% for the next reporting period, against the level of the baseline year ended 31 December 2023.

Energy Use Efficiency

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

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

Packaging Material

During the Reporting Period, the usage of packaging material decreased. As the Group sought thinner and lighter packaging material, the intensity of packaging material used decreased as well. The Group aims to further reduce the packaging material by regularly reviewing the packing process.

Detailed breakdown of packing material by the Group:

Packaging Material	Unit	Year ended 31 December 2023	Year ended 31 December 2022
Total Packaging material	Tonnes	**515.40**	619.90
Packaging Material Intensity[9]	Tonnes/HK$'000	**0.0005**	N/A

The Environment and Natural Resources

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

Dust

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

Noise

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

Environmental Coating Products

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

9 To align with consistency reporting principle, the intensity has been calculated and restated for packaging materials by using the Group's total revenue of HK$'000.

Climate Change

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

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

Environmental, Social and Governance Report

SOCIAL

Employment and Labour Standards

The Group, a responsible corporate citizen who truly cherishes its employees and their efforts, adheres to all employment-related laws and regulations to safeguard the rights of its internal stakeholders. As the Group operates in the PRC, applicable laws including but not limited to "Labour Contract Law of the PRC" (《中華人民共和國勞動合同法》), "Labour Law of the PRC" (《中華人民共和國勞動法》), "Regulations on Paid Annual Leave of Employees" (《職工帶薪年休假條例》), "Law on the Protection of Women's Rights and Interests of the PRC" (《中華人民共和國婦女權益保障法》), "Law on the Protection of Disabled Persons of the PRC" (《中華人民共和國殘障人保障法》), "Social Insurance Law of the PRC" (《中華人民共和國社會保險法》) and "Provisions of the State Council on Working Hours of Workers and Staff" (《國務院有關於職工工作時間的規定》).

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

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

Anti-Child and Forced Labour

The Group ensures that no employee is made to work against his/her will, work as forced labour, or be subject to coercion related to work. Moreover, the Group strictly opposes and prohibits any form of child labour and forced labour. As officially stated in the "Employee Handbook" , applicants under the age of 16 will not be considered by the Group. The Human Resources Department is responsible for checking and scrutinising applicants' identification documents, educational background and qualifications to guarantee that applicants meet the recruitment criteria. Background checks are also performed before official employment, to further verify applicants' information provided, and to ensure good attributes of candidates and subjective judgement of interviewers will not affect the selection process. The Group's Employee Handbook outlined the staff recruitment, remuneration, working period, leave entitlement, pay rate, and compensation matters and procedures, to increase work efficiency and establish a uniform workflow.

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

Our Team[10]

As of 31 December 2023, there was a total of 171 employees, details of our employees are as follows:

	2023
Number of Employees	
Total	**171**
By Gender	
Male	**106**
Female	**65**
By Age	
Below 30	**22**
30–49	**130**
50 or above	**19**
By Employment Type	
Full-time	**171**
Part-time	**–**
By Geographical Region	
The PRC	**166**
Hong Kong	**5**

As of 31 December 2023, there was a total of 118 employees left the Group, details of our employees turnover rate are as follows:

	2023
Employee Turnover Rate	
Total	**69%**
By Gender	
Male	**78%**
Female	**54%**
By Age	
Below 30	**132%**
30–49	**65%**
50 or above	**26%**
By Geographical Region	
The PRC	**70%**
Hong Kong	**40%**

Occupational Health and Safety

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

10 The employment data for the Reporting Period are disclosed in accordance with "Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange, which the employees in the discontinued business are not included.

Environmental, Social and Governance Report

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

The Group protects the safety of its employees and subcontractors through its robust Safety Management System. On top of the health checks, the Group reckons that prevention is better than cure. To tackle the root cause of health and safety issues, the Group established chapters inside the "Employee Handbook" to cover topics such as fire safety intended to reduce the destruction caused by fire, different categories of hazardous substances, preventive and contingency measures of chemical burns and dust contacts, images of labour protection supply to familiarise employees, to name but a few. As such, the Group intends to instil essential work-related knowledge into its manufacturing employees, thus increasing their consciousness and encouraging them to stay alert to potential safety issues. We are certified with the international standard of Occupational Health and Safety Management System ISO 45001:2018 for our coating business during the Reporting Period for our efforts in safeguarding occupational health and safety.

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

For the past three reporting periods, there were no work-related fatalities. With regards to work injuries, there were 2 reported injuries with a total of 121 lost days resulting during the Reporting Period. The Group continues to reflect on its existing safety policies and is committed to continuously adapting and improving its occupational safety measures as necessary.

Safety Measures for Coronavirus Disease 2019

To combat Coronavirus Disease 2019 ("COVID-19"), the Group continues to adopt an array of contingency policies to safeguard employees' safety. The Group circulated the "Handbook of COVID-19 Prevention and Treatment" (《防控知識手冊》) to familiarise employees with the transmission channels of COVID-19, actions to improve personal hygiene and symptoms. The Group has been actively encouraging the employees to take preventive actions, such as cleaning hands with wet wipes or sanitisers regularly and wearing a mask where necessary.

During the Reporting Period, the world has gradually returned to normalcy, recovering from the impacts of the COVID-19 pandemic. However, the Group remains dedicated to closely monitoring the situation and implementing necessary preventive measures to ensure the safety of its employees. Additionally, the Group is focused on improving the hygiene conditions of the workplace and developing comprehensive emergency plans to effectively manage any potential future incidents.

Staff Training and Development

Whilst the Group expands its business, employees and their sophisticated on-the-job knowledge are indispensable for driving the growth. Development and training are equally important for its employees. For third-party payment services, a sound, adequate understanding of online payments and relevant compliance issues are the basis of the job routine. For coatings manufacturing, occupational health and safety, standard operating procedures for handling industrial substances and knowledge of the risks of chemicals are vital for employees' careers. Whereas for big data services, knowledge of information technology in relation to retail financial services is critical in providing quality services. Given the rationale, continuous development and training of employees are exceptionally important for the Group to excel amongst competitors and to drive sustainable growth ultimately.

As outlined in the "Training Management System" (《培訓管理制度》), the Human Resources Department investigates each department's needs for training, formulates the yearly training plans and controls the budgeting for training. Each month, the department heads are obligated to form training totalling more than 2 hours for employees.

During the Reporting Period, employees from third-party payment services attended a wide variety of training, which can be classified into three main categories, which are training to (i) familiarise employees with policies and procedures within the Group, (ii) enhance employees' product knowledge and latest technological information, and (iii) enhance employees' awareness on compliance issues. For employees in the liquid and powder coatings manufacturing, the Group held evacuation drills; training on safe manufacturing, hygiene knowledge and the use of personal protective equipment ("PPE"), and on hazardous chemicals. As for employees from big data services, the training focused on enhancing their skills in relation to financial technologies.

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

Percentage of Trained Employees	2023
Total	**53%**
By Gender	
Male	**76%**
Female	**24%**
By Employee Category	
Junior Staff	**87%**
Senior Staff	**4%**
Management	**9%**
Average Training Hours (Hours)	
Total	**5.2**
By Gender	
Male	**5.5**
Female	**4.3**
By Employee Category	
Junior Staff	**6.3**
Senior Staff	**3.7**
Management	**8.2**

Environmental, Social and Governance Report

Supply Chain Management

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

The Group established "Procurement Workflow" to standardise the procedures of purchasing from suppliers. In the supplier selection process, apart from the professional qualifications, product and service quality, reputation, suppliers' environmental and social performances are also regarded as selection criteria. Suppliers violating national environmental and labour laws will not be considered and violation of existing suppliers may result in the termination of the supplier relationship. As a responsible corporate citizen who cares for the environment, the Group has decent standards for the chemicals and raw materials ordered from suppliers. The Group issues "Environmental Hazardous Substance Lists" to suppliers, requiring them to declare the levels of hazardous substances existing in the raw materials, that they intend to provide, are within the acceptable range of the Group. Moreover, social and environmental aspects are also important criteria for supplier selection. The Group will not select suppliers with poor environmental performance or reputation to promote environmentally preferable products in the industry. The Group also ensures that the suppliers hold relevant business licenses, such as "Hazardous Chemicals Production License" (《危險化學品經營許可證》) and qualifications for "Manufacturing Integrated Circuit Cards", (《集成電路卡》), and certifications for UnionPay products.

During the Reporting Period, the Group has a total of 331 suppliers, 7 of them are located in Hong Kong and the remaining are located in the PRC.

Product and Service Responsibility

Coating Product Business

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

During the Reporting Period, the Group received a total of 918 complaints,of which all complaints, regardless of substantiality, were recorded. All details of complaints, including dates, information of complainants, descriptions of complaints and follow-up actions were properly recorded, and all complaints have been timely solved. There were no products recalled due to safety and health reasons during the Reporting Period.

Third-party Payment Services

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

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

Big Data Services

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

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

Customer Service

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

Advertising

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

Data Privacy and Intellectual Property

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

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

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

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

Environmental, Social and Governance Report

Anti-corruption

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

The Group established the "Anti-money Laundering and Counter-financing of Terrorism System" (《反洗錢和反恐怖融資措施和制度》) to prohibit these illicit acts within the businesses. The Employee Handbook "Employee Handbook" states that (1) employees shall not accept gifts and benefits that are beyond common business hospitality, and (2) employees should not offer bribes to any person to obtain or retain business. An Internal Audit Department is responsible for evaluating internal control effectiveness, detecting potential deficiencies and illustrating areas for improvement. During the Reporting Period, the Group organised 3 sessions of anti-money laundering training for its employees from the third-party payment services. For coatings business and big data business, the Group closely monitors the regulatory development and will arrange relevant training for employees, where necessary.

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

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

Social Responsibility

The Group recognises public welfare as one of the pivotal elements of corporate culture, and thus actively practices corporate social and environmental responsibility. Also, the Group will make an effort in establishing related policy in the future.

During the Reporting Period, the Group had not organised any community and charity activities due to the COVID-19 pandemic. Although the Group has not carried responsibilities out any community services, it has donated approximately RMB10,000 to support underprivileged and vulnerable groups. Looking forward, we will continue to contribute to society and explore more opportunities after the COVID-19 situation is improved and restrictions are lifted.

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter/Section	Remarks
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental — Overview	
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emissions	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Greenhouse Gas Emissions, Waste Management, Energy Use Efficiency, Measures to Reduce Waste Generation	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management, Measures to Reduce Waste Generation	

Environmental, Social and Governance Report

Aspect	Description	Chapter/Section	Remarks
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental — Overview	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Usage	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources, Energy Use Efficiency	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Usage	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Material	
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

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

Environmental, Social and Governance Report

Aspect	Description	Chapter/Section	Remarks
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Standards	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards	
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	

Aspect	Description	Chapter/Section	Remarks
B6 Product and Service Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product and Service Responsibility	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product and Service Responsibility	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product and Service Responsibility	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product and Service Responsibility	
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product and Service Responsibility	
B7 Anti- corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	
KPI B7.2	Description of preventive measures, how they are implemented and monitored.	Anti-Corruption	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption	
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social Responsibility	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social Responsibility	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Social Responsibility	

Independent Auditor's Report

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Independent auditor's report to the shareholders of
Pan Asia Data Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pan Asia Data Holdings Inc. (the "Company") and its subsidiaries (together the "Group") set out on pages 68 to 163, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to note 3.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$138,277,000 during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$21,184,000. As stated in note 3.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to generate sufficient cash flows from future operations and the successful obtaining of additional funds by equity financing and long-term debt financing as and when needed. These conditions, along with other matters as described in note 3.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainly Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and supplier relationship with an indefinite useful life	
The Group has a significant balance of goodwill and supplier relationship with an indefinite useful life arising from the acquisition of Lian Yang Guo Rong Holdings Limited ("LYGR") and its subsidiaries in 2021. As at 31 December 2023, the carrying amount of goodwill and supplier relationship with an indefinite useful life amounted to HK$114,545,000 and HK$238,529,000, respectively. Goodwill and supplier relationship with an indefinite useful life are subject to impairment assessment annually and when there is an indication of impairment. For the purpose of impairment assessment, goodwill and supplier relationship with an indefinite useful life are allocated to the cash generating unit of the LYGR ("LYGR CGU"). Management assessed the recoverable amount of LYGR CGU with the assistance of an independent external valuer (the "External Valuer"). The recoverable amounts were determined based on a value in use ("VIU") calculation using cash flow projections of the relevant acquirees based on financial budgets approved by management. The key assumptions involved mainly including (i) annual revenue growth rate, (ii) gross margins, and (iii) pre-tax discount rates. We focus on this area due to the magnitude of the carrying amount of goodwill and supplier relationship with an indefinite useful life and significant judgements were required by management on the key assumptions adopted in the valuation model. The related disclosures are included in notes 4 and 17 to the consolidated financial statements.	Our procedures in relation to impairment assessment of goodwill and supplier relationship with an indefinite useful life included: • Understanding the key controls on how management performed the impairment assessment; • Obtaining the valuation report and discussed with the External Valuer on the valuation methodology and key assumptions adopted; • Assessing the competency, capability and objectivity of the External Valuer engaged by management; • Evaluating the reliability of the cash flow projections prepared by management in prior year by comparing them to the actual results in the current year; • Appointing auditor's expert to evaluate the appropriateness of the methodology and reasonableness of key assumptions used; and • Evaluating the sensitivity analysis performed by the management on the key assumptions to understand the impact on the estimated recoverable amount.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessments of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2023, the carrying value of the Group's trade receivables amounting to approximately HK$196,932,000 (net of impairment loss amounting to approximately HK$30,462,000). The management of the Group estimates the amount of lifetime ECL of trade receivables individually and based on collective assessment through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of debtors, historical default rates, default rates by external credit agency and forward-looking information of respective trade receivables with the assistance of an External Valuer. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The related disclosures are disclosed in notes 4, 22 and 42 to the consolidated financial statements.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Assessing the competency, capability and objectivity of the External Valuer engaged by management; • Testing the integrity of information used by management for collective assessment, on a sample basis; • For trade receivables assessed on a collective basis which grouped by internal credit rating, checking the appropriateness of classification, on a sample basis, and assessing the reasonableness of the loss rate taking into consideration of historical loss rates and forward-looking information; • Challenging the data used for forward looking factors by comparing the data to another international rating agency to assess the appropriateness; and • Appointing auditor's expert to evaluate the appropriateness of the methodology and reasonableness of key assumptions used.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of the retained interest in the deconsolidated subsidiaries	
The Group has a significant balance of retained interest in the deconsolidated subsidiaries arising from deconsolidation of Rookwood Investments Limited ("Rookwood") and its subsidiaries on 20 November 2023. As at 31 December 2023, the carrying amount of retained interest in the deconsolidated subsidiaries, which is measured at fair value through profit or loss classified at Level 3, is amounted to HK$508,618,000. Management assessed the fair value of Rookwood and its subsidiaries at the date of deconsolidation with the assistance of an External Valuer. The fair value was determined based on discounted cash flow methods with reference to financial forecasts covering a five-year period provided by management. The key assumptions involved mainly including (i) annual revenue growth rate, (ii) terminal growth rate, and (iii) pre-tax discount rate. We focus on this area due to the magnitude of the fair value of the retained interest in the deconsolidated subsidiaries at the date of deconsolidation and significant judgements were required by management on the key assumptions adopted in the valuation model. The related disclosures are disclosed in notes 4, 34 and 42 to the consolidated financial statements.	Our procedures in relation to valuation of the retained interest in the deconsolidated subsidiaries: • Understanding the process on how management performed the financial forecasts covering a five-year period; • Obtaining the valuation report and discussed with the External Valuer on the valuation methodology and key assumptions adopted; • Assessing the competency, capability and objectivity of the External Valuer engaged by management; • Assessing the reasonableness of the cash flows projection and challenging management's assumptions such as revenue growth rate and terminal growth rate, based on our understanding of the business of Rookwood; • Appointing auditor's expert to evaluate the appropriateness of the methodology and reasonableness of key assumptions used; and • Evaluating the sensitivity analysis performed by the management on the key assumptions to understand the impact on the amount of the fair value.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in the independent auditor's report is Chau Fong, Lily.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2024
Chau Fong, Lily
Practising certificate number P08090

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations			
Revenue	*5*	**563,539**	441,913
Cost of sales		**(161,149)**	(174,297)
Gross profit		**402,390**	267,616
Other income	*6*	**2,638**	4,005
Other gains and losses, net	*7*	**(94,840)**	5,222
Impairment losses under expected credit loss model, net of reversal	*8*	**(1,147)**	(3,361)
Distribution and selling expenses		**(117,578)**	(55,888)
Administrative expenses		**(104,187)**	(109,091)
Research and development expenses		**(222,054)**	(188,471)
Finance costs	*9*	**(10,936)**	(15,962)
Share of results of associates	*18*	**(402)**	(150)
Loss before taxation	*11*	**(146,116)**	(96,080)
Income tax credit	*12*	**13,653**	6,864
Loss for the year from continuing operations		**(132,463)**	(89,216)
Discontinued operation			
Loss for the year from discontinued operation	*34(a)*	**(5,814)**	(13,517)
Loss for the year		**(138,277)**	(102,733)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		**(15,090)**	(66,499)
— Share of other comprehensive expense of associates		**(3,151)**	(11,231)
Other comprehensive expense for the year, net of tax		**(18,241)**	(77,730)
Total comprehensive expense for the year		**(156,518)**	(180,463)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000 (Restated)
Loss for the year attributable to:			
— Owners of the Company		**(59,900)**	(85,329)
— Non-controlling interests		**(78,377)**	(17,404)
		(138,277)	(102,733)
Loss for the year attributable to owners of the Company arises from:			
— Continuing operations		**(55,709)**	(73,906)
— Discontinued operation		**(4,191)**	(11,423)
		(59,900)	(85,329)
Total comprehensive expense for the year attributable to:			
— Owners of the Company		**(73,343)**	(144,352)
— Non-controlling interests		**(83,175)**	(36,111)
		(156,518)	(180,463)
Total comprehensive expense for the year attributable to owners of the Company arises from:			
— Continuing operations		**(58,589)**	(88,437)
— Discontinued operation		**(14,754)**	(55,915)
		(73,343)	(144,352)
Loss per share			
From continuing and discontinued operations			
Basic and diluted	*14*	**(HK6.6) cents**	(HK11.1) cents
From continuing operations			
Basic and diluted	*14*	**(HK6.1) cents**	(HK9.6) cents

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

Consolidated Statement of Financial Position

At 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	15	**16,527**	143,512
Right-of-use assets	16	**13,814**	57,818
Intangible assets	17	**367,599**	369,558
Interests in associates	18	**–**	143,957
Financial assets at fair value through profit or loss	19	**88,281**	–
Deferred tax assets	20	**9,148**	21,929
Deposits paid for non-current assets		**–**	2,728
		495,369	739,502
Current assets			
Inventories	21	**146**	63,593
Trade and other receivables	22	**370,977**	466,720
Tax recoverable		**–**	515
Financial assets at fair value through profit or loss	19	**22,070**	33,583
Retained interest in the deconsolidated subsidiaries	34	**508,618**	–
Restricted bank deposits	23	**109,356**	154,368
Bank balances and cash	24	**122,176**	212,775
		1,133,343	931,554
Current liabilities			
Trade and other payables	25	**464,692**	475,481
Lease liabilities	26	**4,662**	8,886
Penalty payable	27	**97,434**	–
Borrowings	28	**5,277**	576,898
Convertible bonds — debt component	29	**55,501**	49,985
Convertible bonds — embedded derivative component	29	**–**	76
Financial guarantee contract liabilities	34	**526,961**	–
Tax payable		**–**	799
		1,154,527	1,112,125
Net current liabilities		**(21,184)**	(180,571)
Total assets less current liabilities		**474,185**	558,931
Non-current liabilities			
Deferred tax liabilities	20	**14,031**	40,025
Borrowings	28	**210**	–
Lease liabilities	26	**3,202**	4,405
		17,443	44,430
Net assets		**456,742**	514,501

Consolidated Statement of Financial Position

At 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	*30*	**10,654**	8,543
Reserves		**219,069**	194,448
Equity attributable to owners of the Company		**229,723**	202,991
Non-controlling interests		**227,019**	311,510
Total equity		**456,742**	514,501

The consolidated financial statements on pages 68 to 163 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Gu Zhongli
Director

Wang Bangyi
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(Note a)*	Shareholders' contribution/ distribution reserve HK$'000 *(Note b)*	Translation reserve HK$'000	Other reserve HK$'000 *(Note c)*	Non-distributable reserve HK$'000 *(Note d)*	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	7,615	539,590	32,000	(274)	68,383	4,610	18,229	25,752	(483,916)	211,989	343,586	555,575
Loss for the year	–	–	–	–	–	–	–	–	(85,329)	(85,329)	(17,404)	(102,733)
Other comprehensive expense												
Exchange differences arising on translation of foreign operations	–	–	–	–	(47,792)	–	–	–	–	(47,792)	(18,707)	(66,499)
Share of other comprehensive expense of associates	–	–	–	–	(11,231)	–	–	–	–	(11,231)	–	(11,231)
Other comprehensive expense for the year	–	–	–	–	(59,023)	–	–	–	–	(59,023)	(18,707)	(77,730)
Total comprehensive expense for the year	–	–	–	–	(59,023)	–	–	–	(85,329)	(144,352)	(36,111)	(180,463)
Issue of shares *(Note 30)*	928	138,461	–	–	–	–	–	–	–	139,389	–	139,389
Appropriation to statutory reserve	–	–	–	–	–	31	1,617	–	(1,648)	–	–	–
Lapse of share options *(Note 31)*	–	–	–	–	–	–	–	(746)	746	–	–	–
Acquisition of additional interests in a subsidiary without changes in control *(Note 33(b))*	–	–	–	–	–	(4,035)	–	–	–	(4,035)	4,035	–
At 31 December 2022 and 1 January 2023	**8,543**	**678,051**	**32,000**	**(274)**	**9,360**	**606**	**19,846**	**25,006**	**(570,147)**	**202,991**	**311,510**	**514,501**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(59,900)**	**(59,900)**	**(78,377)**	**(138,277)**
Other comprehensive expense												
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(10,292)**	**-**	**-**	**-**	**-**	**(10,292)**	**(4,798)**	**(15,090)**
Share of other comprehensive expense of associates	**-**	**-**	**-**	**-**	**(3,151)**	**-**	**-**	**-**	**-**	**(3,151)**	**-**	**(3,151)**
Other comprehensive expense for the year	**-**	**-**	**-**	**-**	**(13,443)**	**-**	**-**	**-**	**-**	**(13,443)**	**(4,798)**	**(18,241)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(13,443)**	**-**	**-**	**-**	**(59,900)**	**(73,343)**	**(83,175)**	**(156,518)**
Issue of shares *(Note 30)*	**2,111**	**92,304**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**94,415**	**-**	**94,415**
Appropriation to statutory reserve	**-**	**-**	**-**	**-**	**-**	**32**	**203**	**-**	**(235)**	**-**	**-**	**-**
Lapse of share options *(Note 31)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,457)**	**7,457**	**-**	**-**	**-**
Disposal of subsidiaries *(Note 32)*	**-**	**-**	**-**	**-**	**455**	**-**	**-**	**-**	**-**	**455**	**(236)**	**219**
Acquisition of additional interests in a subsidiary without changes in control *(Note 33(a))*	**-**	**-**	**-**	**-**	**-**	**(10,567)**	**-**	**-**	**-**	**(10,567)**	**(1,080)**	**(11,647)**
Release of reserves upon deconsolidation of subsidiaries *(Note 34)*	**-**	**-**	**(32,000)**	**274**	**15,772**	**5,996**	**(18,149)**	**-**	**43,879**	**15,772**	**-**	**15,772**
At 31 December 2023	**10,654**	**770,355**	**-**	**-**	**12,144**	**(3,933)**	**1,900**	**17,549**	**(578,946)**	**229,723**	**227,019**	**456,742**

Notes:

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

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

(c) Other reserve was resulted from the (i) provision for general risk reserve of subsidiaries in the People's Republic of China (the "PRC") and (ii) acquisition of additional interests in a subsidiary without changes in control.

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Operating activities			
Loss before taxation			
— from continuing operations		**(146,116)**	(96,080)
— from discontinued operation		**(4,893)**	(12,605)
		(151,009)	(108,685)
Adjustments for:			
Impairment losses under expected credit loss model, net of reversal	42	**12,420**	3,927
Depreciation of property, plant and equipment	15	**28,820**	28,566
Depreciation of right-of-use assets	16	**12,766**	13,719
Amortisation of intangible assets	17	**1,959**	1,959
Net (gain)/loss on disposal of property, plant and equipment		**(121)**	310
Net gain on lease modification		**–**	(553)
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")	7	**(1,170)**	(1,128)
Gain on fair value change of convertible bonds	7	**(76)**	(3,463)
Interest income		**(1,634)**	(1,073)
Finance costs		**44,044**	51,681
Share of results of associates	18	**15,884**	(4,545)
Net gain on disposals of subsidiaries	32	**(826)**	–
Gain on deconsolidation of the subsidiaries	34	**(29,543)**	–
Operating cash flows before movements in working capital		**(68,486)**	(19,285)
Decrease/(increase) in inventories		**2,719**	(24,004)
Increase in trade and other receivables		**(92,124)**	(55,081)
Decrease in restricted bank deposits		**42,815**	48,254
Increase in trade and other payables		**111,481**	66,284
Increase in penalty payable		**97,434**	–
Cash generated from operations		**93,839**	16,168
Income tax refunded/(paid)		**438**	(2,113)
Net cash generated from operating activities		**94,277**	14,055
Investing activities			
Payments for purchases of property, plant and equipment		**(22,081)**	(19,438)
Proceeds from disposal of property, plant and equipment		**681**	2,216
Acquisition of investment in an associate	18	**–**	(575)
Net cash inflow on disposals of subsidiaries	32	**1,958**	–
Net cash outflow on deconsolidation of the subsidiaries	34	**(89,991)**	–
Dividends received from an associate	18	**10,125**	18,000
Interest received		**1,634**	1,073
Payment for purchase of financial assets at FVTPL		**(141,614)**	(278,880)
Proceeds from disposal of financial assets at FVTPL		**66,016**	264,814
Net cash used in investing activities		**(173,272)**	(12,790)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Financing activities			
Interest paid	40	**(9,637)**	(35,626)
Repayments of lease liabilities	40	**(10,685)**	(20,566)
Repayments of promissory notes payable	40	**–**	(12,401)
Net cash outflow on step acquisition of a subsidiary	33(a)	**(11,647)**	–
Proceeds from issue of shares	30	**28,000**	–
Transaction costs attributable to issue of shares	30	**(1,641)**	–
New bank and other borrowings raised	40	**34,515**	77,775
Repayment of bank and other borrowings	40	**(37,716)**	(19,910)
Net cash used in financing activities		**(8,811)**	(10,728)
Net decrease in cash and cash equivalents		**(87,806)**	(9,463)
Cash and cash equivalents at the beginning of the year		**212,775**	238,016
Effect of foreign exchange rate changes		**(2,793)**	(15,778)
Cash and cash equivalents at end of the year		**122,176**	212,775
Represented by:			
Bank balances and cash		**122,176**	212,775

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1 GENERAL

Pan Asia Data Holdings Inc. (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office of the Company are 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands, and its principal place of business has changed from Room 1707–8, 17/F, New World Tower 1, 16–18 Queen's Road Central, Hong Kong to Room B, 29/F, The Sun's Group Centre, 189-200 Gloucester Road, Wan Chai, Hong Kong with effect from 28 July 2023.

The Company is an investment holding company. Particulars of the Company's principal subsidiaries are set out in Note 45. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

As detailed in Note 34 to the consolidated financial statements, during the year ended 31 December 2023, Rookwood Investments Limited ("Rookwood"), a wholly-owned subsidiary of the Company, was deconsolidated due to the default event of a loan. As Rookwood and its subsidiaries form a separate operating segment of coatings business, and therefore it is classified as a discontinued operation. Accordingly, certain comparative information related to the discontinued operation has been re-presented in these consolidated financial statements.

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

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

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to Hong Kong Accounting Standard ("HKAS") 1 "Disclosure of Accounting Policies" require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 "Making Materiality Judgements" provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 3 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

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

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

(b) Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Except as described above, the application of the new and 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 Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of these 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 MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

During the year, the Group has incurred a loss of approximately HK$138,277,000. Furthermore, as at 31 December 2023, the Group had net current liabilities of approximately HK$21,184,000. In assessing the appropriateness of the adoption of the going concern basis in the preparation of the Group's consolidated financial statements, the directors of the Company prepared a cash flow forecast, covering a period of fifteen months from the end of the reporting period (the "Cash Flow Forecast") with careful consideration to the future liquidity and financial performance of the Group and its available sources of financing. In preparing the Cash Flow Forecast, the directors of the Company have taken into account the following measures which the Group makes every effort to implement:

(i) to obtain additional funds by equity financing and long-term debt financing to settle the convertible bonds plus default interests and the penalty payable and to finance the Group's working capital;

(ii) to actively negotiate with the People's Bank of China ("the PBOC") for the extension of repayments of penalty payable;

(iii) to obtain proceeds from selling the retained interest in the deconsolidated subsidiaries for the Group to settle the financial guarantee contract liabilities (Note 34); and

(iv) to formulate and closely monitor business strategy for the Group to generate cash flows from its existing and new business operations.

Based on the Cash Flow Forecast, assuming the above measures can be successfully implemented as planned, the directors of the Company are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations to enable the Group to continue as a going concern. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Should the Group be unable to achieve the above plans and measures such that it would not operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts and to provide for financial liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

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

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

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

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

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

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies adopted are set out below.

3.2 Basis of consolidation

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

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

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

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

3.2 Basis of consolidation *(Continued)*

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

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

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

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

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

3.3 Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

3.4 Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

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

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

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

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

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

3.4 Business combinations *(Continued)*

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

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

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

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

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

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

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

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

3.5 Goodwill *(Continued)*

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described in note 3.6 below.

3.6 Investments in associates

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

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

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

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

3.6 Investments in associates *(Continued)*

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

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

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3.7 Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

3.8 Leases

Definition of a lease

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

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

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

3.8 Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separate from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

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

3.8 Leases *(Continued)*

The Group as a lessee *(Continued)*

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

3.8 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

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

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

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

3.9 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

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

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

3.10 Intangible assets

Intangible assets acquired in a business combination

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

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

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

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

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

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

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

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

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

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

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

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

3.12 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 23.

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

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3.14 Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

3.14 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is classified as held for trading if:

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

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

- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

3.14 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

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

3.14 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

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

3.14 Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

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

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, where the corresponding adjustment is recognised through a loss allowance account.

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

3.14 Financial instruments *(Continued)*

Financial assets *(Continued)*

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other gains and losses, net" line item (note 7) as part of the net foreign exchange gains/(losses); and

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other gains and losses, net" line item as part of the gain/(loss) from changes in fair value of financial assets (note 7).

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

3.14 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Convertible bonds

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

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

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

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

3.14 Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses, net" line item in profit or loss (note 7) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

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

Derivative financial instruments

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

Embedded derivatives

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

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

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

Offsetting a financial asset and a financial liability

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

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

3.15 Employee benefits

Retirement benefit costs

Payments to the defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

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

3.16 Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

Shares/Share options granted to non-employees

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

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

3.17 Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

3.17 Taxation *(Continued)*

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.18 Foreign currencies

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

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

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

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

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

3.19 Borrowing costs

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

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

3.20 Government grants

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

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

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

3.21 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss and other comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3.22 Provisions

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

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

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

3.23 Contingent liabilities

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

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

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

3.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the steering committees for strategic decision making.

3.25 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

3.25 Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

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

3.26 Comparatives

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the availability of funding from various sources to enable the Group to operate as a going concern and meet its liabilities as they fall due. Details are explained in note 3.1 to the consolidated financial statements.

Key sources of estimation uncertainty

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

Estimated impairment of goodwill and supplier relationship with an indefinite useful life

Determining whether goodwill and supplier relationship with an indefinite useful life are impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill and supplier relationship with an indefinite useful life have been allocated, which is the higher of the value in use ("VIU") or fair value less costs of disposal ("FVLCOD"). The calculation requires the use of judgement and estimates. Further details are set out in note 17.

Provision of ECL for trade receivables

The Group uses collective assessment to calculate ECL for the trade receivables. In calculating the ECL, the loss rates are estimated based on comparable probability of default by internal credit ratings through groupings of various debtors that have similar loss patterns and recovery rate quoted from international credit-rating agencies and adjusted for forward-looking information. Such calculation of ECL has involved subjective judgment and estimates. At every reporting dates, the loss rates are reassessed and changes in the forward-looking information are considered. In addition, ECL on trade receivables which are credit-impaired are assessed individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 42(b)(ii).

Deferred tax assets

As at 31 December 2023, as detailed in note 20, deferred tax assets of approximately HK$20,396,000 (2022: HK$12,138,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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

Fair value of retained interest in the deconsolidated subsidiaries

As detailed in Note 34 to the consolidated financial statements, at 31 December 2023, the Group has retained interest in the deconsolidated subsidiaries, Rookwood. As 31 December 2023, the fair value of the retained interest in the deconsolidated subsidiaries, amounting to approximately HK$508,618,000 (2022: Nil), is measured using discounted cash flows projection with reference to financial forecasts covering a five-year period. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs, including revenue growth rate, budget gross profit margins and discount rates, etc. Changes in assumptions relating to these factors could result in material adjustments to the fair values of the retained interest in the deconsolidated subsidiaries.

Fair value measurement of financial assets at FVTPL

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For unlisted equity investment classified as FVTPL which amounted to approximately HK$88,281,000 (2022: nil), in the opinion of the directors, the fair value as at 31 December 2023 approximates to the fair value at date of acquisition. The financial products which amounted to approximately HK$22,070,000 (2022: HK$33,583,000) are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used are disclosed in notes 19 and 42(c).

5 REVENUE AND SEGMENTAL INFORMATION

Disaggregation of revenue from contracts with customers from continuing operations within the scope of HKFRS 15:

	2023 HK$'000	2022 HK$'000 (restated)
From continuing operations:		
Provision of big data services		
— Data analytics services	**561,399**	397,021
Provision of third-party payment services		
— Commission income	**930**	43,834
— Fintech enabling service income	**–**	303
— Others	**1,210**	755
	2,140	44,892
	563,539	441,913
Timing of revenue recognition		
— A point in time	**563,539**	441,913

5 REVENUE AND SEGMENTAL INFORMATION *(Continued)*

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

Provision of big data services

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

Provision of third-party payment services

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

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

Coatings — Sales of goods (discontinued operation)

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.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date:

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts 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 that had an original expected duration of one year or less.

5 REVENUE AND SEGMENTAL INFORMATION *(Continued)*

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 (continuing operation)

Third-party payment services — Provision of third-party payment services (continuing operation)

Coatings — Manufacturing and trading of coatings (discontinued operation)

The Group deconsolidated a subsidiary, Rookwood, which Rookwood and its subsidiaries represent a separate operating segment of coatings business during the year ended 31 December 2023 and was classified as a discontinued operation. Accordingly, certain comparative information related to the discontinued operation has been re-presented in these consolidated financial statements. The segment information reported as below does not include any amounts for the discontinued operation separated presented, which are described in more details in Note 34.

Segment revenues and results from continuing operations

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

Year ended 31 December 2023

	Big data services HK$'000	Third-party payment services HK$'000	Total HK$'000
Segment revenue and external revenue	561,399	2,140	563,539
Results			
Segment profits/(losses)	49,435	(123,657)	(74,222)
Interest income			874
Unallocated corporate other income			206
Unallocated corporate expenses			(62,787)
Unallocated corporate other gains and losses, net			1,151
Finance costs			(10,936)
Share of results of associates			(402)
Loss before taxation from continuing operations			(146,116)
Income tax credit			13,653
Loss for the year from continuing operations			(132,463)

5 REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Operating segments *(Continued)*

Segment revenues and results from continuing operations *(Continued)*

Year ended 31 December 2022 (restated)

	Big data services HK$'000	Third-party payment services HK$'000	Total HK$'000
Segment revenue and external revenue	397,021	44,892	441,913
Results			
Segment profits/(losses)	29,448	(21,299)	8,149
Interest income			140
Unallocated corporate expenses			(91,870)
Unallocated corporate other gains and losses, net			3,613
Finance costs			(15,962)
Share of results of associates			(150)
Loss before taxation from continuing operations			(96,080)
Income tax credit			6,864
Loss for the year from continuing operations			(89,216)

Segment profits/(losses) represent the results of each segment without allocation of corporate items, including interest income, net gain on disposal of property, plant and equipment, central administration cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, gain on fair value change of convertible bonds, gain on disposal of subsidiaries, finance costs 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.

5 REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Operating segments *(Continued)*

Segment assets and liabilities and other information

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

Year ended 31 December 2023

	Big data services HK$'000	Third-party payment services HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	605,630	390,500	996,130
Unallocated assets			632,582
			1,628,712
LIABILITIES			
Segment liabilities	250,520	275,680	526,200
Unallocated liabilities			645,770
			1,171,970
OTHER INFORMATION			
Interest in an associate	–	–	–
Additions to non-current assets	25,301	–	25,301
Depreciation and amortisation			
— Allocated	24,595	616	25,211
— Unallocated			869
			26,080
Impairment losses on trade and other receivables (reversed)/recognised in profit or loss	(1,097)	2,244	1,147
Interest income			
— Allocated	819	52	871
— Unallocated			3
			874
Interest expense			
— Allocated	298	182	480
— Unallocated			10,456
			10,936
Income tax credit	(13,653)	–	(13,653)

5 REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Operating segments *(Continued)*

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

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

Year ended 31 December 2022 (restated)

	Big data services HK$'000	Third-party payment services HK$'000	Consolidated total HK$'000
ASSETS			
Segment assets	550,286	459,391	1,009,677
Unallocated assets			63,514
Total segment assets relating to continuing operations			1,073,191
Assets relating to discontinued operation			597,865
Consolidated total assets			1,671,056
LIABILITIES			
Segment liabilities	133,920	203,045	336,965
Unallocated liabilities			209,848
Total segment liabilities relating to continuing operations			546,813
Liabilities relating to discontinued operation			609,742
Consolidated total liabilities			1,156,555
OTHER INFORMATION			
Interests in associates	405	–	405
Additions to non-current assets	16,838	–	16,838
Depreciation and amortisation			
— Allocated	18,852	2,393	21,245
— Unallocated			920
			22,165
Impairment losses on trade and other receivables recognised in profit or loss	1,125	2,236	3,361
Interest income			
— Allocated	53	84	137
— Unallocated			3
			140
Interest expense			
— Allocated	319	2,848	3,167
— Unallocated			12,795
			15,962
Income tax credit	(6,305)	(559)	(6,864)

5 REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Operating segments *(Continued)*

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

Segment assets include all tangible and intangible non-current assets and current assets with the exception of interests in associates, financial assets at FVTPL, deferred tax assets, retained interest in the deconsolidated subsidiaries and other corporate assets. Segment liabilities include trade payables, lease liabilities, penalty payable and borrowings attributable to sales activities of each segment with the exception of corporate expense payables.

Revenue from continuing operations from major customers

Revenue from continuing operations from customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2023 HK$'000	2022 HK$'000
Customer A *(Note)*	**402,761**	127,554

Note: Revenue from big data services segment.

Geographical information

No separate analysis of segment information by geographical information is presented as the Group's revenue is principally attributable to a single geographical region, which is the PRC. Information about the Group's non-current assets excluded those relating to discontinued operation, interests in associates, financial assets at FVTPL, deferred tax assets and deposits paid for non-current assets is presented below based on the geographical location of the assets.

	2023 HK$'000	2022 HK$'000 (Restated)
The PRC	**396,870**	398,308
Others	**1,070**	544
	397,940	398,852

6 OTHER INCOME

	2023 HK$'000	2022 HK$'000 (Restated)
From continuing operations:		
Interest income	**874**	140
Service income	**206**	–
Government grants *(Note)*	**1,558**	3,865
	2,638	4,005

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.

7 OTHER GAINS AND LOSSES, NET

	2023 HK$'000	2022 HK$'000 (Restated)
From continuing operations:		
Net exchange gain	**13**	162
Gain on fair value change of convertible bonds *(Note 29)*	**76**	3,463
Gain on fair value change of financial assets at FVTPL	**1,170**	1,128
Net gain on disposal of property, plant and equipment	**180**	–
Gain on disposal of a subsidiary *(Note 32(c))*	**831**	–
Net gain on lease modification	**–**	553
Penalty expense *(Note)*	**(97,434)**	–
Others	**324**	(84)
	(94,840)	5,222

Note: It represents the penalty expense of approximately HK$97,434,000 charged to the Group during the year. For the details, please refer to Note 27.

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

	2023 HK$'000	2022 HK$'000 (Restated)
From continuing operations:		
Impairment losses recognised in respect of:		
— Trade receivables	**1,064**	2,481
— Other receivables and deposits	**83**	880
	1,147	3,361

9 FINANCE COSTS

	2023 HK$'000	2022 HK$'000 (Restated)
From continuing operations:		
Interest on bank borrowing and other borrowing	**5,077**	4,654
Interest on lease liabilities	**343**	460
Effective interest expense on convertible bonds *(Note 29)*	**5,516**	8,361
Imputed interest on promissory notes payable *(Note)*	**–**	2,487
	10,936	15,962

Note: Amount represented imputed interest on promissory notes payable, which was fully settled during the year ended 31 December 2022. Details are set out in Note 30(i).

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

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

	Mr. Gu Zhongli HK$'000	**Ms. Liu Rong Rong HK$'000** *(Note ii)*	**Dr. Wang Bangyi HK$'000** *(Notes iii)*	**Mr. Charles Simon HK$'000** *(Notes iv)*	**Mr. Jin Peiyi HK$'000**	**Dr. Dong Liuhuan HK$'000** *(Note v)*	**Mr. Li Gong HK$'000**	**Dr. Shi Ping HK$'000**	**Ms. Xu Yanqiong HK$'000**	**Total HK$'000**
Year ended 31 December 2023										
Fee	**–**	**–**	**–**	**–**	**–**	**180**	**180**	**180**	**180**	**720**
Salaries and other benefits	**6,094**	**–**	**2,760**	**18**	**600**	**493**	**–**	**–**	**–**	**9,965**
Discretionary bonuses *(Note i)*	**1,271**	**–**	**230**	**–**	**50**	**–**	**–**	**–**	**–**	**1,551**
Retirement benefit scheme contributions	**200**	**–**	**18**	**2**	**18**	**15**	**–**	**–**	**–**	**253**
	7,565	**–**	**3,008**	**20**	**668**	**688**	**180**	**180**	**180**	**12,489**
Year ended 31 December 2022										
Fee	–	–	–	–	–	165	180	180	180	705
Salaries and other benefits	6,106	359	74	600	600	1,485	–	–	–	9,224
Discretionary bonuses *(Note i)*	1,123	–	7	50	50	739	–	–	–	1,969
Retirement benefit scheme contributions	167	5	2	18	18	149	–	–	–	359
	7,396	364	83	668	668	2,538	180	180	180	12,257

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

(a) Directors' and chief executive's emoluments *(Continued)*

Notes:

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

(ii) Ms. Liu Rong Rong resigned as the executive directors of the Company on 8 April 2022.

(iii) Dr. Wang Bangyi is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive. He was appointed as the executive director of the Company on 22 December 2022.

(iv) Mr. Charles Simon resigned as executive director of the Company on 20 January 2023.

(v) Dr. Dong Liuhuan was appointed as non-executive director of the Company on 4 February 2022.

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

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

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

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

(b) Employees' emoluments

The five highest paid individuals included two directors (2022: two directors) and whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining three (2022: three) highest paid employees who are not the directors of the Company, are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	**6,125**	6,312
Discretionary bonus	**1,066**	1,100
Retirement benefit scheme contributions	**369**	347
	7,560	7,759

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

	2023 Number of individuals	2022 Number of individuals
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**2**	2

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

11 LOSS BEFORE TAXATION

	2023 HK$'000	2022 HK$'000 (Restated)
Loss before taxation from continuing operations has been arrived at after charging:		
Directors' emoluments *(Note 10)*		
— Fee	**720**	705
— Salaries and other benefits	**9,965**	9,224
— Discretionary bonuses	**1,551**	1,969
— Retirement benefit scheme contributions	**253**	359
	12,489	12,257
Other staff costs:		
— Salaries and other benefits	**107,443**	76,222
— Retirement benefit scheme contributions	**9,440**	7,421
Total staff costs	**129,372**	95,900
Depreciation of property, plant and equipment *(Note 15)*	**16,332**	12,762
Depreciation of right-of-use assets *(Note 16)*	**7,789**	7,444
Amortisation of intangible assets *(Note 17)*	**1,959**	1,959
Total depreciation and amortisation	**26,080**	22,165
Auditor's remuneration		
— Audit services	**2,650**	3,080
— Non-audit services	**1,060**	1,080
Donation	**–**	21

12 INCOME TAX CREDIT

	2023 HK$'000	2022 HK$'000 (Restated)
From continuing operations:		
Deferred tax credit *(Note 20)*	**(13,653)**	(6,864)

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands ("BVI") are exempted from profits tax under the tax laws of the Cayman Islands and the BVI.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. For the years ended 31 December 2023 and 31 December 2022, there are no assessable profits derived from the subsidiaries in Hong Kong.

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 Group's subsidiaries registered in the PRC are 25% for both years. One of the Group's subsidiary, 聯洋國融(北京)科技有限公司 (Lian Yang Guo Rong (Beijing) Science and Technology Co., Ltd.*) ("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 2023 is 15% (2022: 15%).

Pursuant to the EIT Law, an additional tax deduction is allowed on research and development expenses incurred, subject to the approval by the tax authorities. Certain subsidiaries of the Group has obtained the approval, and an additional deduction is calculated at 100% of the actual research and development expenses incurred starting from 1 January 2021.

* *English translated name is for identification purpose only.*

12 INCOME TAX CREDIT *(Continued)*

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

	2023 HK$'000	2022 HK$'000 (Restated)
Loss before taxation from continuing operations	**(146,116)**	(96,080)
Less: Share of results of associates	**402**	150
	(145,714)	(95,930)
Taxation at PRC Enterprise Income Tax rate of 25%	**(36,429)**	(23,982)
Tax effect of expenses not deductible for tax purposes	**5,341**	8,483
Tax effect of income not taxable for tax purposes	**(1,416)**	(1,131)
Tax effect of tax losses not recognised	**53,454**	28,684
Utilisation of tax losses previously not recognised	**(10,252)**	(3,096)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,831**	1,859
Income tax at preferential tax treatment	**(7,889)**	(4,810)
Additional deduction for research and development expense	**(19,542)**	(12,838)
Others	**249**	(33)
Taxation credit for the year	**(13,653)**	(6,864)

13 DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed after the end of reporting period.

14 LOSS PER SHARE

For continuing operations

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

	2023 HK$'000	2022 HK$'000 (Restated)
Loss for the year attributable to owners of the Company	**(59,900)**	(85,329)
Less: loss for the year from discontinued operation attributable to owners of the Company	**4,191**	11,423
Loss for the purpose of basic loss per share from continuing operations	**(55,709)**	(73,906)

	2023 '000	2022 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**913,358**	770,131

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for share capitalisation and subscriptions completed on 18 April 2023, 30 June 2023, 20 October 2023 and 30 October 2023 (2022: share subscription completed on 28 November 2022). Details are set out in note 30.

For continuing and discontinued operations

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

	2023 HK$'000	2022 HK$'000 (Restated)
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(59,900)**	(85,329)

The denominators used to calculate loss per share of continuing and discontinued operations and loss per share of continuing operations are the same as those detailed above for both basic and diluted loss per share.

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 exercises would result in a decrease in loss per share.

For discontinued operation

Basic loss and diluted per share for the discontinued operation is HK0.5 cents per share (2022: HK1.5 cents per share), based on the loss for the year from the discontinued operation of approximately HK$4,191,000 (2022: HK$11,423,000) and the denominators detailed above for both basic and diluted loss per share.

15 PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2022	147,906	57,219	79,669	8,163	33,535	29,111	355,603
Additions	–	1,518	4,450	569	8,425	4,476	19,438
Disposals	(8)	–	(987)	(664)	(3,631)	–	(5,290)
Exchange adjustments	(10,925)	(2,551)	(7,654)	(1,274)	(4,905)	(2,654)	(29,963)
At 31 December 2022 and 1 January 2023	**136,973**	**56,186**	**75,478**	**6,794**	**33,424**	**30,933**	**339,788**
Additions	**1,002**	**707**	**15,040**	**1,843**	**1,905**	**1,584**	**22,081**
Transfers	**29,294**	**–**	**–**	**–**	**–**	**(29,294)**	**–**
Disposals	**(88)**	**–**	**(79)**	**(1,237)**	**(586)**	**–**	**(1,990)**
Disposal of subsidiaries *(Note 32)*	**–**	**–**	**(671)**	**–**	**(2,015)**	**–**	**(2,686)**
Deconsolidation of subsidiaries *(Note 34)*	**(164,207)**	**(54,441)**	**(22,253)**	**(2,436)**	**(31,455)**	**(2,884)**	**(277,676)**
Exchange adjustments	**(2,974)**	**(804)**	**(1,081)**	**(227)**	**(1,273)**	**(339)**	**(6,698)**
At 31 December 2023	**–**	**1,648**	**66,434**	**4,737**	**–**	**–**	**72,819**
Depreciation							
At 1 January 2022	64,656	44,634	42,078	4,750	30,452	–	186,570
Provided from continuing operations for the year *(Note 11)*	–	158	12,114	490	–	–	12,762
Provided from discontinued operation	4,896	4,149	2,218	846	3,695	–	15,804
Eliminated on disposals	(5)	–	(838)	(631)	(1,290)	–	(2,764)
Exchange adjustments	(5,153)	(2,140)	(4,402)	(988)	(3,413)	–	(16,096)
At 31 December 2022 and 1 January 2023	**64,394**	**46,801**	**51,170**	**4,467**	**29,444**	**–**	**196,276**
Provided from continuing operations for the year *(Note 11)*	**–**	**40**	**15,700**	**592**	**–**	**–**	**16,332**
Provided from discontinued operation	**4,763**	**2,363**	**1,849**	**509**	**3,004**	**–**	**12,488**
Eliminated on disposals	**(48)**	**–**	**(75)**	**(1,061)**	**(246)**	**–**	**(1,430)**
Eliminated on disposals of subsidiaries *(Note 32)*	**–**	**–**	**(19)**	**–**	**(231)**	**–**	**(250)**
Eliminated on deconsolidation *(Note 34)*	**(67,489)**	**(46,830)**	**(15,855)**	**(1,580)**	**(30,947)**	**–**	**(162,701)**
Exchange adjustments	**(1,620)**	**(726)**	**(831)**	**(222)**	**(1,024)**	**–**	**(4,423)**
At 31 December 2023	**–**	**1,648**	**51,939**	**2,705**	**–**	**–**	**56,292**
Carrying amount							
At 31 December 2023	**–**	**–**	**14,495**	**2,032**	**–**	**–**	**16,527**
At 31 December 2022	72,579	9,385	24,308	2,327	3,980	30,933	143,512

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

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

16 RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2022	42,714	38,058	80,772
Additions	–	7,921	7,921
Provided from continuing operations for the year	–	(7,444)	(7,444)
Provided from discontinued operation	(1,097)	(5,178)	(6,275)
Lease modification	–	(10,798)	(10,798)
Exchange adjustments	(3,588)	(2,770)	(6,358)
At 31 December 2022 and 1 January 2023	**38,029**	**19,789**	**57,818**
Additions	**–**	**14,414**	**14,414**
Provided from continuing operations for the year	**–**	**(7,789)**	**(7,789)**
Provided from discontinued operation	**(931)**	**(4,046)**	**(4,977)**
Disposal of subsidiaries *(Note 32)*	**–**	**(4,193)**	**(4,193)**
Deconsolidation of subsidiaries *(Note 34)*	**(36,256)**	**(3,963)**	**(40,219)**
Exchange adjustments	**(842)**	**(398)**	**(1,240)**
At 31 December 2023	**–**	**13,814**	**13,814**

The Group leases various offices, warehouses and staff quarters for its operations for both years. Lease contracts are entered into for fixed term of 1 year to 3 years, but may have extension as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2023, the expense relating to short-term leases and total cash outflow for leases amounted to approximately HK$641,000 (2022: HK$1,552,000) and HK$11,326,000 (2022: HK$22,118,000) respectively.

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

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

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

	As at 31 December 2023		As at 31 December 2022	
	Lease liabilities recognised HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000	Lease liabilities recognised HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Offices	**6,619**	**8,827**	5,018	13,313

The Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2023, there is no such triggering event (2022: Nil).

17 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 2022	452,795	38,250	208,923	109,702	1,075,695	236,471	242,962	2,364,798
Disposals	–	(2,337)	–	–	–	–	–	(2,337)
Exchange adjustments	–	(3,237)	(17,050)	(8,953)	(87,785)	(19,298)	(4,433)	(140,756)
At 31 December 2022 and 1 January 2023	**452,795**	**32,676**	**191,873**	**100,749**	**987,910**	**217,173**	**238,529**	**2,221,705**
Exchange adjustments	**–**	**(430)**	**(2,731)**	**(1,434)**	**(14,063)**	**(3,092)**	**–**	**(21,750)**
At 31 December 2023	**452,795**	**32,246**	**189,142**	**99,315**	**973,847**	**214,081**	**238,529**	**2,199,955**
Amortisation and impairment								
At 1 January 2022	338,250	19,465	208,923	109,702	1,075,695	236,471	–	1,988,506
Provided from continuing operations for the year	–	1,959	–	–	–	–	–	1,959
Eliminated on disposals	–	(2,337)	–	–	–	–	–	(2,337)
Exchange adjustments	–	(2,895)	(17,050)	(8,953)	(87,785)	(19,298)	–	(135,981)
At 31 December 2022 and 1 January 2023	**338,250**	**16,192**	**191,873**	**100,749**	**987,910**	**217,173**	**–**	**1,852,147**
Provided from continuing operations for the year	**–**	**1,959**	**–**	**–**	**–**	**–**	**–**	**1,959**
Exchange adjustments	**–**	**(430)**	**(2,731)**	**(1,434)**	**(14,063)**	**(3,092)**	**–**	**(21,750)**
At 31 December 2023	**338,250**	**17,721**	**189,142**	**99,315**	**973,847**	**214,081**	**–**	**1,832,356**
Carrying amount								
At 31 December 2023	**114,545**	**14,525**	**–**	**–**	**–**	**–**	**238,529**	**367,599**
At 31 December 2022	114,545	16,484	–	–	–	–	238,529	369,558

17 INTANGIBLE ASSETS *(Continued)*

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

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

The supplier relationship, licenses and trademarks have a legal life of 5 years for the first contract, 5 years and 10 years but are renewable every year after the first contract, 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.

Impairment testing of goodwill and supplier relationship with an indefinite useful life

For the purpose of impairment testing, goodwill and supplier relationship with an indefinite useful life acquired through business combinations of Lian Yang Guo Rong Holdings Limited ("LYGR") in the amounts of approximately HK$114,545,000 and HK$238,529,000 (2022: HK$114,545,000 and HK$238,529,000), respectively, is allocated to the LYGR CGU.

As at 31 December 2023, the recoverable amount of the LYGR CGU was determined based on a VIU calculation. The VIU 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 pre-tax discount rate of 19.1%. 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 VIU calculation 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.

The key parameters used for VIU calculation are as follows:

Average revenue growth rate of LYGR CGU between the Financial Year ("FY") of 2024 and FY2028	24.6%
Gross profit margin of LYGR CGU between FY2024 and FY2028	67.0%–78.0%
Net profit margin of LYGR CGU between FY2024 and FY2028	7.7%–28.3%
Terminal growth rate	2.0%
Pre-tax discount rate	19.1%

17 INTANGIBLE ASSETS *(Continued)*

As at 31 December 2022, the recoverable amount of the LYGR CGU was determined based on FVLCOD, which was higher than VIU, with reference to the valuation report prepared by an independent external professional qualified valuer. The valuation technique for FVLCOD was market approach and the key parameters adopted as at 31 December 2022 were as follows:

Valuation multiples (such as price to average sale multiple) of the comparable companies	4.15
Discount for lack of marketability	20.60%
Control premium	37.00%
Estimated cost of disposal to consideration	1%

Based on the above assessments, no impairment of the carrying amounts of goodwill and supplier relationship with an indefinite useful life as at 31 December 2023 and 2022 is recognised. As there is sufficient headroom available as at 31 December 2023 and 2022, a reasonably possible change in the key assumptions would not cause the recoverable amount to fall below the carrying amount of LYGR CGU.

18 INTERESTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Cost of investments in associates, unlisted	**575**	1,088
Accumulated share of post-acquisition results and other comprehensive income, net of dividends received	**(575)**	142,869
	–	143,957
Share of results of associates during the period/year:		
— from continuing operations	**(402)**	(150)
— from discontinued operation	**(15,482)**	4,695
	(15,884)	4,545

On 20 November 2023, the Group derecognised of its 45% equity interest in CM Holding (as defined below) upon the deconsolidation of Rookwood. Hence, CM Holding was ceased to be classified as an associate on the same date.

Set out below is the associate of the Group as at 31 December 2023 and 2022 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 2023	2022	Principal activities
Cashew Manfield Holding Limited ("CM Holding")	Limited liability company	Hong Kong	HK$500,000	**N/A *(Note)***	45%	Manufacturing and trading of coatings

Note: CM Holding was deconsolidated on 20 November 2023. Details are set out in Note 34.

18 INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect 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) Summarised financial information of material associate:

CM Holding

	2022 HK$'000
As at 31 December	
Current assets	370,921
Non-current assets	35,351
Current liabilities	(75,974)
Non-current liabilities	(11,893)
Net assets	318,405

	For the period from 1 January 2023 to 20 November 2023 HK$'000	For the year ended 31 December 2022 HK$'000
Revenue	**375,971**	604,127
(Loss)/profit for the period/year	**(34,428)**	10,532
Other comprehensive expense for the period/year	**(6,988)**	(24,853)
Total comprehensive expense for the period/year	**(41,416)**	(14,321)
The Group's share of results of an associate for the period/year	**(15,493)**	4,739
The Group's share of other comprehensive expense for the period/year	**(3,145)**	(11,184)
Dividends paid to the Group	**(10,125)**	(18,000)

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

	As at 31 December 2022 HK$'000
Net assets of CM Holding	318,405
Proportion of the Group's ownership interest in CM Holding	45%
Carrying amount of the Group's interest in CM Holding	143,282

18 INTERESTS IN ASSOCIATES *(Continued)*

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

	2023 HK$'000	2022 HK$'000 (Restated)
The Group's share of results of associates for the period/year:		
— from continuing operations	**(402)**	(150)
— from discontinued operation	**11**	(44)
	(391)	(194)
The Group's share of other comprehensive expenses for the period/year:		
— from continuing operations	**(3)**	(20)
— from discontinued operation	**(3)**	(27)
	(6)	(47)

	As at 31 December 2023 HK$'000	2022 HK$'000
Aggregate carrying amount of the Group's interests in these associates	**–**	675
The unrecognised share of loss of an associate for the year	**36**	–
Cumulative unrecognised share of loss of an associate	**36**	–

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Unlisted equity investments *(Note)*	**88,281**	–
Financial products	**22,070**	33,583
	110,351	33,583
Analysed for reporting purpose as:		
Non-current assets	**88,281**	–
Current assets	**22,070**	33,583
	110,351	33,583

Note: On 7 September 2023, a non-wholly-owned subsidiary of the Company, as a limited partner, and the general and executive partner, being independent third party to the Group, entered into a limited partnership, namely 蕪湖朗亞聯洋一號投資基金合夥企業(有限合夥) (Wuhu Langya Lianyang No. 1 Investment Fund Partnership (Limited Partnership)* ("Wuhu Limited Partnership"), pursuant to the partnership agreement ("Wuhu Partnership Agreement") for carrying out investments primarily in strategic emerging industries such as internet, big data, cloud computing and artificial intelligence. Pursuant to the Wuhu Partnership Agreement, the maximum total capital contribution of the Wuhu Limited Partnership is limited to RMB81,000,000 and the investment period is five years from the date of incorporation. As at 31 December 2023, the Group contributed RMB80,000,000 (equivalent to approximately HK$88,281,000), representing equity interest of approximately 98.8%, into Wuhu Limited Partnership.

Notwithstanding the Group has the equity interest of approximately 98.8%, pursuant to Wuhu Partnership Agreement, the executive partner has the exclusive right to make all decisions on the financial and operating policies. In addition, the limited partner can only remove the executive partner on the occurrence of an event of cause such as breach of contract, fraud, felony or gross negligence and therefore the kick-out right is not considered to have any substance. Based on the foregoing, the directors are of opinion that the Group has neither significant influence, joint control nor control over the Wuhu Limited Partnership and therefore it is classified as non-current financial assets at FVTPL.

As at 31 December 2023, in the opinion of the directors of the Company, no fair value change is recognised in profit or loss during the year ended 31 December 2023 as the investment was acquired by the Group near the year end.

* *English translated name is for identification purpose only.*

20 DEFERRED TAXATION

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

	Fair value adjustments on intangible assets HK$'000	Temporary difference of property, plant and equipment HK$'000	ECL provision of trade and other receivables HK$'000	Unused tax losses HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022	(39,187)	(2,791)	10,437	7,857	(2,883)	2,883	–	(23,684)
Credit to profit or loss from continuing operations *(Note 12)*	295	744	665	5,160	1,013	(1,013)	–	6,864
Exchange adjustments	403	511	(1,311)	(879)	42	(42)	–	(1,276)
At 31 December 2022 and 1 January 2023	**(38,489)**	**(1,536)**	**9,791**	**12,138**	**(1,828)**	**1,828**	**–**	**(18,096)**
Credit to profit or loss from continuing operations *(Note 12)*	**295**	**1,070**	**244**	**8,492**	**(1,620)**	**172**	**5,000**	**13,653**
Exchange adjustments	**–**	**17**	**(198)**	**(234)**	**24**	**(15)**	**(34)**	**(440)**
At 31 December 2023	**(38,194)**	**(449)**	**9,837**	**20,396**	**(3,424)**	**1,985**	**4,966**	**(4,883)**

	2023 HK$'000	2022 HK$'000
For presentation purpose:		
Deferred tax assets	**9,148**	21,929
Deferred tax liabilities	**(14,031)**	(40,025)
	(4,883)	(18,096)

As at 31 December 2023, the Group had unused tax losses of approximately HK$363,518,000 (2022: HK$192,518,000) available for offset against future profits. Tax losses of approximately HK$Nil (2022: HK$5,938,000) have expired during the year ended 31 December 2023. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unused tax losses at the end of the reporting period will expire on 31 December of the following years:

	2023 HK$'000	2022 HK$'000
2023	**–**	2,844
2024	**–**	3,820
2025	**–**	3,979
2026	**–**	14,319
2027	**125,899**	167,556
2028	**237,619**	–
	363,518	192,518

20 DEFERRED TAXATION *(Continued)*

As at 31 December 2023, the Group has other deductible temporary differences of approximately HK$Nil (2022: HK$3,423,000). No deferred tax asset has been recognised in relation to such other deductible temporary differences as it is not probable that taxable profit will be available for offset against which the deductible temporary differences can be utilised.

The EIT Law imposes withholding tax upon the distribution of profits earned by the Group's PRC subsidiaries on or after 1 January 2008 to their non-PRC shareholders. As at 31 December 2022, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries amounting to approximately HK$109,845,000, as the Group was able to control the timing of the reversal of the temporary differences and it was probable that the temporary differences will not reverse in the foreseeable future. As at 31 December 2023, there are no accumulated profits retained by the Group's PRC subsidiaries.

21 INVENTORIES

	2023 **HK$'000**	2022 HK$'000
Raw materials	**–**	39,270
Work in progress	**–**	8,129
Finished goods	**146**	16,194
	146	63,593

22 TRADE AND OTHER RECEIVABLES

	2023 **HK$'000**	2022 HK$'000
Trade receivables	**227,394**	285,131
Less: loss allowance on trade receivables	**(30,462)**	(31,430)
	196,932	253,701
Bills receivables	**–**	6,120
Total trade and bills receivables	**196,932**	259,821
Other receivables, deposits and prepayments		
— Trade deposits paid to merchants	**133,770**	125,173
— Other receivables and prepayments	**40,275**	81,726
Total trade and other receivables	**370,977**	466,720

22 TRADE AND OTHER RECEIVABLES *(Continued)*

The normal credit period for customers is 30–90 days and all bills receivable mature within a period of 30–180 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.

	2023 **HK$'000**	2022 HK$'000
0–30 days	**11,743**	66,517
31–60 days	**54,014**	48,657
61–90 days	**50,478**	37,631
91–180 days	**19,952**	31,879
Over 180 days	**60,745**	75,137
	196,932	259,821

As at 31 December 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately HK$129,705,000 (2022: HK$131,790,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$57,870,000 (2022: HK$69,230,000) 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 2022, included in trade receivables were trade receivables due from subsidiaries of an associate and a subsidiary of a non-controlling shareholder of approximately HK$14,306,000 and approximately HK$795,000 respectively. These amounts were unsecured and interest-free.

As at 31 December 2023, included in other receivables were amounts due from a subsidiary of an associate, an associate and minority shareholders of subsidiaries of approximately HK$Nil (2022: HK$3,372,000), HK$Nil (2022: HK$2,418,000) and HK$2,075,000 (2022: HK$87,000), respectively. These amounts were unsecured, interest-free and repayable on demand.

Details of impairment assessment of trade and other receivables and movement in the impairment losses on trade and other receivables are set out in note 42(b)(ii).

23 RESTRICTED BANK DEPOSITS

Restricted bank deposits comprises:

	2023 HK$'000	2022 HK$'000
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)*	**105,449**	150,366
Maintained for merchants as performance guarantee deposits	**332**	392
Maintained as reserve deposits to secure the Group's use of online business to business payment platforms provided by the banks	**2,451**	2,472
Maintained as reserve deposits to the general risk reserve funds as governed by the PRC government	**1,124**	1,138
	109,356	154,368

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.

24 BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. As at 31 December 2023, the bank balances carry interest at prevailing market rates of 0.01%–0.35% (2022: 0.01%–0.35%) per annum.

25 TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**193,150**	200,353
Accrued staff cost	**28,887**	22,566
Payables to merchants	**51,828**	52,577
Unutilised float funds *(Note)*	**94,455**	95,819
Other payables and accruals	**96,372**	104,166
	464,692	475,481

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 30–60 days (2022: 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:

	2023 HK$'000	2022 HK$'000
0–30 days	**37,877**	93,999
31–60 days	**8,580**	14,799
61–90 days	**9,232**	11,340
Over 90 days	**137,461**	80,215
	193,150	200,353

As at 31 December 2022, included in trade payables were trade payables due to a subsidiary of an associate of approximately HK$30,319,000. The amounts were unsecured, interest-free and repayable on demand.

As at 31 December 2023, included in other payables were amounts due to minority shareholders of subsidiaries of approximately HK$18,008,000 (2022: HK$23,505,000). The amounts are unsecured, interest-free and repayable on demand.

26 LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**4,662**	8,886
Within a period of more than one year but not more than two years	**2,275**	4,127
Within a period of more than two years but not more than five years	**927**	278
	7,864	13,291
Less: Amount due for settlement with one year shown under current liabilities	**(4,662)**	(8,886)
Amount due for settlement after one year shown under non-current liabilities	**3,202**	4,405

27 PENALTY PAYABLE

得仕股份有限公司 (Day's Enterprise Company Limited*) ("Days Services"), the Group's indirect non-wholly owned subsidiary, holds a license issued by the PBOC authorising the provision of third-party payment services in the PRC (the "Payment License") which was expired on 28 August 2021. An application had been made for a renewal of the Payment License (the "Application"). 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 December 2023, Days Services received an Administrative Penalty Decision (Shang Hai Yin Fa Zi [2023] No.30)* (《行政處罰決定書》(上海銀罰字[2023]30號)) dated 19 December 2023 issued by the PBOC Shanghai Branch whereby the PBOC had completed the special enforcement investigation against Days Services pursuant to the relevant laws and it was found that Days Services had committed certain violations against the rules of Measures for the Administration of Bank Card Acquiring Business* (銀行卡收單業務管理辦法), Administrative Measures for the Online Payment Business of Non-bank Payment Institutions* (非銀行支付機構網絡支付業務管理辦法) and Notice by the People's Bank of China of Matters concerning Further Strengthening Administration of Payment and Settlement to Prevent New Types of Telecommunications and Online Illegal and Criminal Activities* (中國人民銀行關於進一步加強支付結算管理防範電信網絡新型違法犯罪有關事項的通知). The PBOC had decided to impose a penalty of approximately RMB88,731,000 (equivalent to approximately HK$97,434,000) (the "Penalty") which is due within 15 business days. The amount of approximately HK$97,434,000 was provided for and charged to the consolidated statement of profit or loss and other comprehensive income under other gains and losses, net (Note 7).

In respect of the Penalty, the Group is still in the course of negotiation with the PBOC to settle the Penalty by installment until 31 March 2025. Meanwhile, on 9 February 2024, Days Services was informed that the PBOC had decided to resume the review process in respect of the Application submitted in 2021. Up to the date of this report, the proposed repayment schedule of the Penalty and the Application are still under the review of the PBOC.

* *English translated name is for identification purpose only.*

28 BORROWINGS

	2023 HK$'000	2022 HK$'000
Secured		
— Bank borrowing *(Note (i))*	–	10,075
— Other borrowing *(Note (ii))*	–	500,000
Unsecured		
— Bank borrowing *(Note (iii))*	210	–
— Other borrowing *(Note (iv))*	5,277	66,823
	5,487	576,898

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

	2023 HK$'000	2022 HK$'000
Within one year	5,277	576,898
Within a period of more than one year but not exceeding two years	210	–
	5,487	576,898
Less: Amount due for settlement within one year shown under current liabilities	(5,277)	(576,898)
Amount due for settlement after one year shown under non-current liabilities	210	–

Notes:

(i) As at 31 December 2022, the Group had fixed-rate bank borrowing of RMB9,000,000 (equivalent to approximately HK$10,075,000), which was denominated in Renminbi ("RMB") and carried interest at 4.5% per annum. The bank borrowing was secured by the personal guarantees and is repaid on 7 September 2023.

(ii) As at 31 December 2022, the Group had fixed-rate other borrowing of HK$500,000,000, which was denominated in HK$ and carried an interest rate of 7% per annum and is repayable on 29 November 2023 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. As described in Note 34, as Rookwood is deconsolidated on 20 November 2023, the whole loan balance is derecognised upon the deconsolidation.

(iii) As at 31 December 2023, the Group had fixed-rate bank borrowing of RMB190,000 (equivalent to approximately HK$210,000) (2022: nil), which was denominated in RMB and carried interest at 9.792% per annum. The bank borrowing was unsecured and is repayable in 2025.

(iv) As at 31 December 2023, the Group had two (2022: three) fixed-rate other borrowings totaling of approximately HK$5,277,000 (2022: HK$12,708,000), which were all denominated in HK$ and carried interest at 1.5% per month (2022: 1.5% per month). The borrowings are unsecured and repayable in 2024 (2022: repayable in 2023).

As at 31 December 2022, the Group had a fixed-rate other borrowing of HK$3,000,000, which was denominated in HK$ and carried interest at 12% per annum. The borrowings were unsecured and repayable in 2023. The amount is settled in 2023 by way of debt capitalisation completed on 18 April 2023.

As at 31 December 2022, the Group had three fixed-rate other borrowings of HK$7,000,000, US$1,500,000 (equivalent to approximately HK$11,675,000) and RMB27,000,000 (equivalent to approximately HK$32,440,000) respectively, carried interest at 6% per annum. The other borrowings were unsecured and repayable in 2023. All the other borrowings are settled in 2023 by way of debt capitalisation completed on 18 April 2023.

29 CONVERTIBLE BONDS

On 22 December 2021, 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 outstanding Convertible Bonds at 106% of the principal amount together with interest accrued up to Maturity Date. Details of the Convertible Bonds are set out in the Company's announcements dated 29 November 2021 and 22 December 2021.

No conversion or redemption of the Convertible Bonds has occurred up to Maturity Date. Subsequent to the default of the Convertible Bonds, an additional interest will be accrued at the rate of 10% per annum from the date of occurrence of default until all sums due in respect of such Convertible Bonds are fully settled. Up to the date of this report, the negotiation with the bondholders in respect of the repayment plan is still in progress.

As at 31 December 2023, the Company was in default under the terms and conditions of the relevant agreements of the Convertible Bonds for the aggregate principal amount and interests of approximately HK$55,501,000.

The movement of Convertible Bonds is as follows:

	Debt component	Embedded derivative component *(Note)*	Total
	HK$'000	HK$'000	HK$'000
As at 1 January 2022	41,624	3,539	45,163
Gain arising on changes in fair value *(Note 7)*	–	(3,463)	(3,463)
Interest charge *(Note 9)*	8,361	–	8,361
As at 31 December 2022 and 1 January 2023	**49,985**	**76**	**50,061**
Gain arising on changes in fair value *(Note 7)*	**–**	**(76)**	**(76)**
Interest charge *(Note 9)*	**5,516**	**–**	**5,516**
As at 31 December 2023	**55,501**	**–**	**55,501**

Note: Binomial option pricing model is used for valuation of the derivative component. The key inputs used in the model are disclosed in note 42.

30 SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	10,000,000,000	100,000
Issued share capital:		
At 1 January 2022	761,483,665	7,615
Issue of shares under subscription agreements *(Note (i))*	92,833,316	928
At 31 December 2022 and 1 January 2023	**854,316,981**	**8,543**
Issue of shares under debt capitalisations *(Note (ii))*	**40,988,927**	**410**
Issue of shares under subscription agreements *(Note (iii))*	**170,148,192**	**1,701**
At 31 December 2023	**1,065,454,100**	**10,654**

Notes:

(i) On 28 November 2022, the Company has allotted and issued an aggregate of 92,833,316 new ordinary shares of HK$0.01 each at subscription price HK$1.5015 per share for the settlement of the outstanding sum of the promissory note. Upon completion of the shares allotment, the promissory note had been cancelled. Details are set out in the Company's announcements dated 22 November 2022 and 28 November 2022. After deducting related expenses, an amount of approximately HK$138,461,000 in excess of par value was credited to share premium.

(ii) On 18 April 2023, the Company has allotted and issued an aggregate of 35,963,448 capitalisation shares at the subscription price of HK$1.60 per capitalisation share to the creditors for the settlement of the outstanding sum of approximately HK$57,542,000. Details are set out in the Company's announcements dated 27 March 2023 and 18 April 2023. After deducting related expenses, an amount of approximately HK$57,123,000 in excess of par value was credited to share premium.

On 30 June 2023, the Company has allotted and issued an aggregate of 5,025,479 capitalisation shares at the subscription price of HK$1.60 per capitalisation share to the creditor for the settlement of the outstanding sum of approximately HK$8,041,000. Details are set out in the Company's announcements dated 21 June 2023 and 30 June 2023. After deducting related expenses, an amount of approximately HK$7,897,000 in excess of par value was credited to share premium.

(iii) On 20 October 2023 and 30 October 2023, the Company has allotted and issued an aggregate of 170,148,192 new ordinary shares of HK$0.01 each at the issue price of HK$0.18 per share under subscription agreements dated 9 October 2023 for the settlement of the outstanding sum of approximately HK$2,627,000 and the gross proceeds amounted to approximately HK$28,000,000. Details are set out in the Company's announcements dated 9 October 2023 and 30 October 2023. After deducting related expenses, an amount of approximately HK$27,284,000 in excess of par value was credited to share premium.

31 SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

At 31 December 2023, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 18,860,000 (2022: 26,260,000), representing 1.8% (2022: 3.1%) of the shares of the Company in issue. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

Details of share options granted is as follows:

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

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

	Exercise price	Date of grant	Outstanding at 1 January 2023	Granted during the year	Lapsed during the year	Exercised during the year	Redesignated during the year	Outstanding at 31 December 2023
Directors								
Mr. Li Gong	HK$2.056	27 July 2021	740	–	–	–	–	740
Dr. Shi Ping	HK$2.056	27 July 2021	740	–	–	–	–	740
Employees	HK$2.056	27 July 2021	7,380	–	–	–	–	7,380
Consultants *(Note i)*	HK$2.056	27 July 2021	17,400	–	(7,400)	–	–	10,000
Total			26,260	–	(7,400)	–	–	18,860
Exercisable at the end of the year								18,860
Weighted average exercise price			HK$2.056	N/A	N/A	N/A	N/A	HK$2.056

31 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

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

	Exercise price	Date of grant	Outstanding at 1 January 2022	Granted during the year	Lapsed during the year	Exercised during the year	Redesignated during the year	Outstanding at 31 December 2022
Directors								
Ms. Liu Rong Rong *(Note ii)*	HK$2.056	27 July 2021	7,400	–	–	–	(7,400)	–
Mr. Li Gong	HK$2.056	27 July 2021	740	–	–	–	–	740
Mr. Wang Jianping *(Note iii)*	HK$2.056	27 July 2021	740	–	(740)	–	–	–
Dr. Shi Ping	HK$2.056	27 July 2021	740	–	–	–	–	740
Employees	HK$2.056	27 July 2021	7,380	–	–	–	–	7,380
Consultants	HK$2.056	27 July 2021	10,000	–	–	–	7,400	17,400
Total			27,000	–	(740)	–	–	26,260
Exercisable at the end of the year								26,260
Weighted average exercise price			HK$2.056	N/A	N/A	N/A	N/A	HK$2.056

Notes:

(i) Ms. Liu Rong Rong resigned as a consultant of the Company on 8 April 2023.

(ii) Ms. Liu Rong Rong resigned as the executive director on 8 April 2022 and was appointed as a consultant of the Company on the same date. Thus, her respective options were redesignated from director to consultant pursuant to consultancy agreement.

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

32 DISPOSALS OF SUBSIDIARIES

(a) Trufield (Dongguan) Innovative Material Limited* (信輝(東莞)新材料有限公司) ("Trufield")

In April 2023, the Group entered into an agreement to dispose of its entire equity interest in Trufield to an independent third party at a consideration of HK$5,090,000. Trufield is engaged in the manufacturing of coatings. The disposal was completed on 28 June 2023.

The net assets of Trufield at the date of disposal were as follows:

	HK$'000
Net assets disposed of	
Property, plant and equipment	2,436
Right-of-use assets	4,193
Inventories	4,119
Trade and other receivables	8,683
Bank balances and cash	2,628
Trade and other payables	(13,012)
Lease liabilities	(4,247)
Tax payable	(308)
	4,492
Gain on disposal of a subsidiary:	
Consideration received	5,090
Net assets of disposed subsidiary derecognised	(4,492)
Release of exchange fluctuation reserve upon disposal	(410)
	188
Net cash inflow arising on disposal:	
Total cash consideration received	5,090
Cash and cash equivalents disposal of	(2,628)
	2,462

* *English translated name is for identification purpose only.*

32 DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Fuzhou Asia Trading Company Limited* (福州艾薩商貿有限責任公司) ("Fuzhou Asia Trading")

In May 2023, the Group entered into an agreement to dispose of its entire equity interest in Fuzhou Asia Trading to an independent third party at a consideration of HK$322,000. Fuzhou Asia Trading is engaged in investment holding company. The disposal was completed on 6 June 2023.

The net assets of Fuzhou Asia Trading at the date of disposal were as follows:

	HK$'000
Net assets disposed of	
Interests in an associate	277
Trade and other receivables	19
Bank balances and cash	410
Trade and other payables	(31)
	675
Loss on disposal of a subsidiary:	
Consideration received	322
Net assets disposed of	(675)
Non-controlling interests	236
Release of exchange fluctuation reserve upon disposal	(76)
	(193)
Net cash outflow arising on disposal:	
Total cash consideration received	322
Cash and cash equivalents disposal of	(410)
	(88)

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32 DISPOSALS OF SUBSIDIARIES *(Continued)*

(c) Intermodal Interactive (Beijing) Technology Co. Ltd.* (聯運互動(北京)科技有限公司) ("Intermodal Interactive")

In October 2023, the Group entered into an agreement to dispose of its entire equity interest in Intermodal Interactive to an independent third party at no consideration. Intermodal Interactive is engaged in provision of information and data services. The disposal was completed on 30 October 2023.

The net liabilities of Intermodal Interactive at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of	
Trade and other receivables	3,114
Bank balances and cash	416
Trade and other payables	(4,330)
	(800)
Gain on disposal of a subsidiary:	
Consideration received	–
Net liabilities disposed of	800
Release of exchange fluctuation reserve upon disposal	31
	831
Net cash outflow arising on disposal:	
Cash and cash equivalents disposal of	(416)

33 TRANSACTION WITH NON-CONTROLLING INTERESTS

Acquisition of additional interests in a subsidiary without changes in control

(a) Manfield Teknos (Changzhou) Chemical Company Limited* (萬輝泰克諾斯(常州)化工有限公司) ("Manfield Changzhou")

On 16 November 2023, the Group and Teknos Group Oy, an independent third party, entered into a settlement agreement to resolve all their disputes in relation to repurchase. On the same date, the Group completed the acquisition of additional 40% equity interests in Manfield Changzhou for a consideration of RMB10,500,000 (equivalent to approximately HK$11,647,000). After that, the Group's effective equity interests in Manfield Changzhou increased from 60% to 100%. The carrying amount of the non-controlling interests in the Manfield Changzhou on the date of acquisition was approximately HK$1,080,000. The Group recognised a decrease in non-controlling interests of approximately HK$1,080,000 and a decrease in equity attributable to owners of the Company of approximately HK$10,567,000.

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33 TRANSACTION WITH NON-CONTROLLING INTERESTS *(Continued)*

Acquisition of additional interests in a subsidiary without changes in control *(Continued)*

(b) LYGR

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 due from LYGR into 1,921 new shares of LYGR, which included a deemed consideration of approximately HK$10,773,000 paid to non-controlling interests. After that, the Group's equity interest in LYGR increased by approximately 2.69% from approximately 54.22% to 56.91%. The carrying amount of the non-controlling interests in LYGR acquired on the date of acquisition was approximately HK$6,738,000. The Group recognised an increase in non-controlling interests of approximately HK$4,035,000 and a decrease in equity attributable to owners of the Company of approximately HK$4,035,000.

	HK$'000
Deemed consideration paid to non-controlling interests	10,773
Less: Carrying amount of non-controlling interests acquired	(6,738)
Excess of consideration paid recognised with parent's equity	4,035

34 DISCONTINUED OPERATION

BH Management Company Limited (the "Lender") and Rookwood, a wholly-owned subsidiary of the Company, entered into a loan agreement dated 26 November 2019 and a supplemental loan agreement dated 29 November 2021, pursuant to which, the Lender loaned to Rookwood HK$500,000,000 ("Defaulted Loan") at an interest rate of 7% per annum secured by charges over shares in and assets of Rookwood and its subsidiaries and due for repayment on 29 November 2023.

On 13 November 2023, Rookwood received a letter of demand dated 13 November 2023 from a lawyer who acts on behalf of the Lender specifying that since Rookwood had failed to pay the interest payables since June 2023, the securities shall become immediately enforceable if the principal amount plus outstanding interests totally HK$525,250,271.97 , in aggregate as at 12 November 2023, had failed to be repayable within three days, i.e. 16 November 2023. As Rookwood had failed to repay all amounts demanded under the letter of demand and thus, the pledged shares, which is the entire equity interest in Rookwood, are transferred to Lender's nominee, Wooco Secretarial Services Limited ("Wooco"), on 20 November 2023. The Group has lost control over Rookwood and the subsidiaries held by Rookwood since then and is thereafter deconsolidated accordingly.

The details of above are set out in the Company's announcements dated 15 November 2023, 20 November 2023, 26 November 2023, 4 December 2023 and 5 December 2023.

On 29 November 2023, the maturity date of the Defaulted Loan, the Group's total indebtedness for the Defaulted Loan was approximately HK$526,961,000 (the "Indebtedness"). This amount represents the combined total of the outstanding principal and interest that the Group is obligated to repay to the Lender, which is accounted for as financial guarantee contract liabilities in the Group's consolidated statement of financial position.

Retained interest in the deconsolidated subsidiaries represents the fair value of Rookwood and its subsidiaries at the date of deconsolidation, which is measured using discounted cash flows projection with reference to financial forecasts covering a five-year period.

The amount was recognised at the date of deconsolidation of Rookwood, on 20 November 2023. The Lender is conducting the disposal of the equity interests in Rookwood, either through private treaty or public auction. Upon successful disposal of the equity interests in Rookwood, the sales proceeds will be used to settle the Group's Indebtedness, and the Group is entitled to the balance of the sales proceeds after deducting the necessary expenses and repaying all the Indebtedness owed to the Lender. The retained interest in the deconsolidated subsidiaries and financial guarantee contract liabilities are presented in the consolidated statement of financial position in a gross basis as the Group does not have a legally enforceable right to set off the balances.

34 DISCONTINUED OPERATIONS *(Continued)*

In view that the deconsolidation occurred near year end, the fair value change is considered insignificant, and there is no movement in the carrying amount of retained interest in the deconsolidated subsidiaries from 20 November 2023 to 31 December 2023.

As the results of Rookwood and its subsidiaries form a separate operating segment of coatings business, and therefore it is classified as a discontinued operation. The carrying amounts of assets and liabilities of Rookwood and its subsidiaries at the date of deconsolidation, and the results of the discontinued operation, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

(a) Results of discontinued operation

The loss for the year from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the discontinued operation.

	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Loss for the period/year from discontinued operation	**(35,357)**	(13,517)
Gain on disposal of discontinued operation	**29,543**	–
	(5,814)	(13,517)

The results of the discontinued operation for the period from 1 January 2023 to 20 November 2023 and for the year ended 31 December 2022, which have been included in the consolidated statement of profit or loss and other comprehensive income:

	From 1 January 2023 to 20 November 2023 HK$'000	Year ended 31 December 2022 HK$'000
Revenue	**389,118**	385,919
Cost of sales	**(299,798)**	(303,992)
Gross profit	**89,320**	81,927
Other income	**18,966**	24,118
Other gains and losses, net	**3,299**	9,508
Impairment losses under expected credit loss model, net of reversal	**(11,273)**	(566)
Distribution and selling expenses	**(27,602)**	(32,838)
Administrative expenses	**(58,556)**	(63,730)
Finance costs	**(33,108)**	(35,719)
Share of results of associates	**(15,482)**	4,695
Loss before taxation	**(34,436)**	(12,605)
Income tax expenses	**(921)**	(912)
Loss after taxation	**(35,357)**	(13,517)

34 DISCONTINUED OPERATIONS *(Continued)*

(a) Results of discontinued operation *(Continued)*

Loss before taxation from discontinued operation has been arrived at after charging:

	From 1 January 2023 to 20 November 2023 HK$'000	For the year ended 31 December 2022 HK$'000
Other staff costs:		
— Salaries and other benefits	**90,114**	111,634
— Retirement benefit scheme contributions	**8,810**	10,201
Total staff costs	**98,924**	121,835
Depreciation of property, plant and equipment *(Note 15)*	**12,488**	15,804
Depreciation of right-of-use assets *(Note 16)*	**4,977**	6,275
Total depreciation and amortisation	**17,465**	22,079
Loss on disposal of property, plant and equipment	**59**	310
Donation	**218**	772

34 DISCONTINUED OPERATIONS *(Continued)*

(a) Results of discontinued operation *(Continued)*

The net cash flows incurred by the discontinued operation are as follows:

	From 1 January 2023 to 20 November 2023 HK$'000	For the year ended 31 December 2022 HK$'000
Net cash inflows from operation activities	**19,779**	21,071
Net cash inflows from investing activities	**7,485**	10,326
Net cash outflows from financing activities	**(21,341)**	(40,490)
Net increase/(decrease) in cash and cash equivalents	**5,923**	(9,093)

(b) Assets and liabilities of Rookwood and its subsidiaries at the date of deconsolidation

	HK$'000
Net liabilities of the deconsolidated subsidiaries derecognised:	
Property, plant and equipment	114,975
Right-of-use assets	40,219
Interests in associates	114,519
Deposits paid for non-current assets	2,655
Inventories	54,914
Trade and other receivables	155,291
Tax recoverable	357
Bank balances and cash	89,991
Trade and other payables	(131,769)
Lease liabilities	(3,883)
Tax payable	(927)
Borrowings	(500,000)
	(63,658)
Gain on deconsolidation of the subsidiaries:	
Net liabilities of the deconsolidated subsidiaries derecognised	63,658
Release of exchange fluctuation reserve upon deconsolidation	(15,772)
	47,886
Assets and liabilities retained from deconsolidation	(18,343)
	29,543
Assets and liabilities retained from deconsolidation:	
Retained interest in the deconsolidated subsidiaries	508,618
Financial guarantee contract liabilities	(526,961)
	(18,343)
Net cash outflow arising on deconsolidation:	
Bank balances and cash derecognised	(89,991)

35 CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE CONTRACT

At 31 December 2023, the Group has several outstanding legal proceedings with customers, suppliers and creditors that are against the Group in the PRC from the Group's ordinary course of business. Apart from disclosed below, the directors consider that all other legal proceedings would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

In October 2022, a litigation claim was made against a non-wholly subsidiary of the Group for an outstanding loan principal and interest of approximately RMB17,999,000 (equivalent to approximately HK$20,148,000). On 29 December 2023, the litigation claim is finalised and the non-wholly owned subsidiary of the Group is obligated to the outstanding amount of approximately RMB14,376,000 (equivalent to approximately HK$15,864,000). The directors are of the opinion that an adequate amount has been recognised in the consolidated financial statements as liabilities as at 31 December 2023 and 31 December 2022.

At 31 December 2022, certain subsidiaries of the Group provided financial guarantees to an independent third party in favour of a loan with outstanding principal and interest of approximately RMB13,102,000 (equivalent to approximately HK$14,666,000). A minority shareholder of those subsidiaries has undertaken to assume the responsibility of the entire outstanding loan principal and interest in case of any default event. On 5 September 2023, the guaranteed party has discharged all its obligations related to the loan. Accordingly, no provision in relation to the guarantee has been made as at 31 December 2023 (2022: no provision was made as the directors were of the opinion that the inability of discharging the relevant obligations by the Group was remote).

36 COMMITMENTS

(a) Capital commitments

	2023 HK$'000	2022 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	1,476

(b) Other commitments

	2023 HK$'000	2022 HK$'000
Proposed purchase of land contracted for but not provided in the consolidated financial statements *(Note)*	–	6,852

Note: On 10 September 2012, the Group entered into a sales and purchase agreement with a company owned by Mr. Yuen Shu Wah, a former director of the Company, to acquire two pieces of land ("Parcel 1" and "Parcel 2") located in the PRC at an aggregate cash consideration of approximately RMB3,367,000 (equivalent to approximately HK$3,843,000). Deposit of approximately RMB673,000 (equivalent to approximately HK$831,000) was paid during the year ended 31 December 2012. Pursuant to supplemental agreement made on 31 December 2019, acquisition of Parcel 2 was terminated and deposit of approximately RMB359,000 (equivalent to approximately HK$401,000) was refunded. The remaining balance of Parcel 1 of approximately RMB1,255,000 was included as commitment as at 31 December 2022, equivalent to approximately HK$1,466,000 respectively. The acquisition of Parcel 1 had not yet been completed up to 31 December 2022. The related commitments have been discharged upon the deconsolidation of Rookwood.

On 22 May 2015, the Group entered into a sales and purchase agreement with the People's Government of Luoyang Town, Wujin District, Changzhou City to acquire a piece of land located in the PRC at a cash consideration of approximately RMB6,579,000 (equivalent to approximately HK$7,509,000). Deposit of approximately RMB1,961,000 (equivalent to approximately HK$2,340,000) was paid and the remaining balance of approximately RMB4,618,000 was included as commitment as at 31 December 2022, equivalent to approximately HK$5,386,000 respectively. The purchase of the land had not yet been completed up to 31 December 2022. The related commitments have been discharged upon the deconsolidation of Rookwood.

37 OPERATING LEASE COMMITMENTS

The Group as lessor

As at 31 December 2022, the Group had contracted with certain subsidiaries of an associate under Rookwood for the following future minimum lease payments under non-cancellable operating leases in respect of rented office and factory premises which fall due as follows:

	2022 HK$'000
Within one year	30,747
In the second year	1,429
In the third year	100
	32,276

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

38 RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group also had the following material transactions with its related parties:

Relationship	Nature of transactions	2023 HK$'000	2022 HK$'000 (Restated)
A minority shareholder of subsidiaries	Service income	**206**	–
	Interest income	**2**	–

Compensation of key management personnel

The remuneration of the executive directors of the Company, who represent the key management personnel of the Group, during the year were as follows:

	2023 HK$'000	2022 HK$'000
Short-term employee benefits	**11,023**	8,969
Post-employment benefits	**238**	210
	11,261	9,179

39 RETIREMENT BENEFITS SCHEMES

The Group participates in defined contribution schemes which are registered under the ORSO Scheme and the MPF Scheme established under the MPF Scheme Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group and the employees contributes 5% of relevant payroll costs to the scheme. The maximum monthly contribution by the Group is limited to HK$1,500 per employee.

The ORSO Scheme is funded by monthly contributions by the Group at 7% of the employee's basic salary.

There are no forfeited contributions at the end of the reporting period which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable in future years.

Employees of the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 10% of the employee payroll to such scheme to fund the retirement benefits of the employees.

The pension scheme contributions for the directors and employees, which have been dealt with in the consolidated statement of profit or loss for the year ended 31 December 2023 are approximately HK$9,693,000 (2022: HK$7,780,000). No forfeited contributions have been applied to reduce the retirement benefits scheme contributions for the year.

40 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible bonds HK$'000	Interest payables HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Promissory notes payable HK$'000	Total HK$'000
At 1 January 2022	45,163	2,429	519,033	39,451	149,303	755,379
Financial cash flows	–	(35,626)	57,865	(20,566)	(12,401)	(10,728)
Settlement by share issue *(Note 30)*	–	–	–	–	(139,389)	(139,389)
New leases entered	–	–	–	7,921	–	7,921
Reassessment of leases	–	–	–	(11,351)	–	(11,351)
Gain arising on changes in fair value	(3,463)	–	–	–	–	(3,463)
Interest expenses	8,361	39,963	–	870	2,487	51,681
Exchange adjustments	–	(13)	–	(3,034)	–	(3,047)
At 31 December 2022 and 1 January 2023	**50,061**	**6,753**	**576,898**	**13,291**	**–**	**647,003**
Financial cash flows	**–**	**(9,637)**	**(3,201)**	**(10,685)**	**–**	**(23,523)**
Debt capitalisations *(Note 30)*	**–**	**–**	**(68,210)**	**–**	**–**	**(68,210)**
New leases entered	**–**	**–**	**–**	**14,414**	**–**	**14,414**
Gain arising on changes in fair value	**(76)**	**–**	**–**	**–**	**–**	**(76)**
Interest expenses	**5,516**	**37,899**	**–**	**629**	**–**	**44,044**
Disposal of subsidiaries *(Note 32)*	**–**	**–**	**–**	**(4,247)**	**–**	**(4,247)**
Deconsolidation of subsidiaries *(Note 34)*	**–**	**(26,961)**	**(500,000)**	**(3,883)**	**–**	**(530,844)**
Exchange adjustments	**–**	**(1)**	**–**	**(1,655)**	**–**	**(1,656)**
At 31 December 2023	**55,501**	**8,053**	**5,487**	**7,864**	**–**	**76,905**

41 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities, penalty payable, borrowings and convertible bonds disclosed in notes 26, 27, 28 and 29 respectively, net of bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt.

42 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Financial assets at FVTPL	**618,969**	33,583
Financial assets at amortised cost	**600,548**	827,758
Financial liabilities		
Financial liabilities at amortised costs	**626,007**	1,103,835
Financial liabilities at FVTPL	**–**	76
Financial guarantee contract liabilities	**526,961**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, retained interest in the deconsolidated subsidiaries, restricted bank deposits, bank balances and cash, trade and other payables, lease liabilities, penalty payable, borrowings, convertible bonds and financial guarantee contract liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Market risk

Currency risk

Several subsidiaries of the Company have foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting period, the carrying amounts of the relevant group entities' foreign currency denominated monetary assets (including other receivables) and monetary liabilities (including other payables) recognised in the consolidated financial statements are as follows:

	Liabilities		**Assets**	
	2023 **HK$'000**	2022 HK$'000	**2023** **HK$'000**	2022 HK$'000
United States dollars ("US$")	**–**	(11,686)	**312**	1,922
RMB	**(1,440)**	(33,281)	**–**	327

42 FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

As HK$ is pegged with US$, the Group's currency risk in relation to foreign currency denominated monetary liabilities is expected to be minimal.

The Group's sensitivity is a 5% (2022: 5%) increase and decrease in HK$ against RMB. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A increase of approximately HK$69,000 (2022: HK$1,569,000) in post-tax-loss where HK$ strengthen 5% (2022: 5%) against RMB. For a 5% (2022: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact of the loss.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, lease liabilities and convertible bonds. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

(i) Interest income from financial assets that are measured at amortised cost is as follows:

	2023 **HK$'000**	2022 HK$'000
Financial assets at amortised cost	**874**	1,073

(ii) Interest expense on financial liabilities not measured at FVTPL:

	2023 **HK$'000**	2022 HK$'000
Financial liabilities at amortised cost	**10,936**	51,681

Sensitivity analysis

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

42 FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables and deposits, bills receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Other receivables, deposits and bills receivables

Management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables, deposits and bills receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The credit quality of deposits and other receivables has been assessed with reference to historical information about the default rates and financial position of the counterparties. Given there is no history of defaults from these counterparties, the management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables, deposits and bills receivables.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade receivables collectively. The trade receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Details of the quantitative disclosures are set out below in this note.

The Group has concentration of credit risk as approximately 55.0% (2022: 16.4%) and approximately 91.0% (2022: 44.9%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 100% (2022: 91.5%) of the total trade receivables as at 31 December 2023.

Financial guarantee contracts liabilities

As detailed in Note 34, the Group has provided a financial guarantee to the Lender in respect of the loan drawn by Rookwood, the deconsolidated subsidiary. Since the loan has been defaulted by Rookwood, the Group considers adopting the probability of default of 100% in measuring its lifetime ECL allowance on the financial guarantee contract.

42 FINANCIAL INSTRUMENTS *(Continued)*

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

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

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
A–B	The counterparty has a low risk of default and does not have any past-due amounts or repays after due date but usually settle after due date for not more than 90 days	Lifetime ECL — not credit-impaired	12-month ECL
C–D	Debtor frequently repays after due dates but has no default history	Lifetime ECL — not credit-impaired	12-month ECL
E	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Written-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Financial assets at amortised costs						
Trade receivables	*22*	N/A	*(Note 2)*	Lifetime ECL	**227,394**	285,131
Other receivables and deposits	*22*	N/A	*(Note 1)*	12-month ECL	**183,145**	211,988
Bills receivables	*22*	N/A	*(Note 1)*	12-month ECL	**–**	6,120
Restricted bank deposits	*23*	A1-Ba1	N/A	12-month ECL	**109,356**	154,368
Bank balances	*24*	A1-Ba1	N/A	12-month ECL	**122,176**	212,775
Other item						
Financial guarantee contract liabilities *(Note 3)*	*34*	N/A	Loss	Credit-impaired	**526,961**	–

42 FINANCIAL INSTRUMENTS *(Continued)*

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

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

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2023	**Past due HK$'000**	**Not past due/ No fixed repayment terms HK$'000**	**Total HK$'000**
Other receivables and deposits	**–**	**183,145**	**183,145**

2022	Past due HK$'000	Not past due/ No fixed repayment terms HK$'000	Total HK$'000
Other receivables and deposits	–	211,988	211,988
Bills receivables	–	6,120	6,120

During the year ended 31 December 2023, the Group recognised an impairment allowance of approximately HK$83,000 (2022: HK$880,000) for other receivables and deposits. Based on the assessment of the management, the ECL on bills receivables was insignificant as at 31 December 2022.

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on remaining debtors by internal credit rating collectively.

3. For financial guarantee contract liabilities, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective agreement.

Internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its debtors. The following table provides information about the exposure to credit risk for trade receivables within lifetime ECL.

Gross carrying amount

	2023		2022	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Grades A–B	**0.09%**	**1,213**	0.48%	93,898
Grades C–D	**2.06%**	**138,548**	4.72%	101,794
Grade E	**31.50%**	**87,633**	29.27%	89,439
		227,394		285,131

During the year ended 31 December 2023, the Group provided approximately HK$12,337,000 (2022: HK$3,047,000) impairment allowance for trade receivables.

42 FINANCIAL INSTRUMENTS *(Continued)*

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

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

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

	Lifetime ECL HK$'000
At 1 January 2022	33,427
Impairment losses recognised from continuing operations	2,481
Impairment losses recognised from discontinued operation	566
Bad debt written-off	(2,164)
Exchange adjustments	(2,880)
At 31 December 2022 and 1 January 2023	**31,430**
Impairment losses recognised from continuing operations	**1,064**
Impairment losses recognised from discontinued operation	**11,273**
Deconsolidation of subsidiaries	**(12,483)**
Exchange adjustments	**(822)**
At 31 December 2023	**30,462**

The following table shows the movement that has been recognised for other receivables and deposits:

	12m ECL HK$'000
At 1 January 2022	11,304
Impairment losses recognised from continuing operations	880
Exchange adjustments	(990)
At 31 December 2022 and 1 January 2023	**11,194**
Impairment losses recognised from continuing operations	**83**
Bad debt written-off	**(56)**
Exchange adjustments	**(160)**
At 31 December 2023	**11,061**

42 FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments which has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

	Weighted average interest rate %	On demand or within 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
As at 31 December 2023							
Non-derivative financial liabilities							
Trade and other payables	**–**	**459,721**	**–**	**–**	**–**	**459,721**	**459,721**
Penalty payable	**–**	**97,434**	**–**	**–**	**–**	**97,434**	**97,434**
Borrowings	**17.69%**	**6,248**	**222**	**–**	**–**	**6,470**	**5,487**
Convertible bonds	**10.00%**	**55,501**	**–**	**–**	**–**	**55,501**	**55,501**
Lease liabilities	**5.06%**	**4,913**	**2,356**	**946**	**–**	**8,215**	**7,864**
Financial guarantee contract liabilities	**–**	**526,961**	**–**	**–**	**–**	**526,961**	**526,961**
		1,150,778	**2,578**	**946**	**–**	**1,154,302**	**1,152,968**
As at 31 December 2022							
Non-derivative financial liabilities							
Trade and other payables	–	463,661	–	–	–	463,661	463,661
Borrowings	7.18%	614,487	–	–	–	614,487	576,898
Convertible bonds	6.00%	54,280	–	–	–	54,280	49,985
Lease liabilities	2.57%	9,236	4,212	279	–	13,727	13,291
Financial guarantee contract liabilities	–	14,666	–	–	–	14,666	–
		1,156,330	4,212	279	–	1,160,821	1,103,835

42 FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2023	Fair value as at 31 December 2022	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Unlisted equity investment classified as financial assets at FVTPL	**Assets, HK$88,281,000**	N/A	Level 2	Determined by the directors of the Company with reference to recent transaction price completed near to the year end	N/A
Unlisted equity investment classified as financial assets at FVTPL	**Assets HK$Nil**	Assets HK$Nil	Level 3	Adjusted net asset value of equity *(Note (i))*	N/A
Financial Products	**Assets, HK$22,070,000**	Assets, HK$33,583,000	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying investments	N/A
Retained interest in the deconsolidated subsidiaries	**Assets HK$508,618,000**	N/A	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will be generated from the deconsolidated subsidiaries, based on an appropriate discount rate	Discount rate of 12.0% *(Note (ii))* Long-term average growth rate of 2.2% *(Note (ii))*
Convertible bonds — embedded derivative component	**N/A**	Liabilities, HK$76,000	Level 3	Binominal option pricing with the volatilities and risk-free rates as key inputs	Risk-free rate *(Note (iii))* Expected volatility *(Note (iii))*

42 FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Notes:

(i) The unlisted equity interest carries at a zero fair value.

(ii) An increase in the discount rate used in isolation would result in a decrease in the fair value measurement, and vice versa, showing negative correlation in discount rate. Also, an increase in the long-term average growth rate used in isolation would result in an increase in the fair value measurement, and vice versa, showing positive correlation in long-term average growth rate.

(iii) As at 31 December 2022, if a) the expected volatility used was multiplied by 95% or 105% while all the other variables were held constant, the gain on fair value change would decrease or increase, respectively, showing positive correlation in expected volatility; b) the risk-free rate used was multiplied by 95% or 105% while all the other variables were held constant, the gain on fair value change would decrease or increase, respectively, showing positive correlation in risk-free rate.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: nil).

Reconciliation of Level 3 fair value measurements

	Retained interest in the deconsolidated subsidiaries HK$'000	**Convertible bonds — embedded derivative component** HK$'000
As at 1 January 2022	–	3,539
Gain on fair value change	–	(3,463)
As at 31 December 2022 and 1 January 2023	**–**	**76**
Addition	**508,618**	**–**
Gain on fair value change	**–**	**(76)**
As at 31 December 2023	**508,618**	**–**

(d) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

43 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2023 HK$'000	2022 HK$'000
Non-current assets		
Property, plant and equipment	**9**	25
Right-of-use assets	**1,060**	519
Investment in subsidiaries	**78**	130,174
Amounts due from a subsidiary	**36,108**	36,108
	37,255	166,826
Current assets		
Other receivables	**2,246**	767
Amounts due from subsidiaries	**525,003**	524,903
Retained interest in the deconsolidated subsidiaries	**508,618**	–
Bank balances and cash	**777**	410
	1,036,644	526,080
Current liabilities		
Other payables	**25,414**	29,281
Borrowings	**5,277**	66,823
Financial guarantee contract liabilities	**526,961**	–
Convertible bonds — debt component	**55,501**	49,985
Convertible bonds — embedded derivative component	**–**	76
Lease liabilities	**667**	652
	613,820	146,817
Net current assets	**422,824**	379,263
Total assets less current liabilities	**460,079**	546,089
Non-current liability		
Lease liabilities	**411**	–
	411	-
Net assets	**459,668**	546,089
Capital and reserves		
Share capital	**10,654**	8,543
Reserves	**449,014**	537,546
Total equity	**459,668**	546,089

43 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Details of the movements in the Company's reserve are set out below:

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Share-based payment reserve HK$'000	Total HK$'000
At 1 January 2022	539,590	118,994	(139,612)	25,752	544,724
Loss and total comprehensive expense for the year	–	–	(145,639)	–	(145,639)
Issue of shares *(Note 30)*	138,461	–	–	–	138,461
Lapse of share options *(Note 31)*	–	–	746	(746)	–
At 31 December 2022 and 1 January 2023	**678,051**	**118,994**	**(284,505)**	**25,006**	**537,546**
Loss and total comprehensive expense for the year	**–**	**–**	**(180,836)**	**–**	**(180,836)**
Issue of shares *(Note 30)*	**92,304**	**–**	**–**	**–**	**92,304**
Lapse of share options *(Note 31)*	**–**	**–**	**7,457**	**(7,457)**	**–**
Release of reserve upon deconsolidation of subsidiaries *(Note 34)*	**–**	**(118,994)**	**118,994**	**–**	**–**
At 31 December 2023	**770,355**	**–**	**(338,890)**	**17,549**	**449,014**

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

44 MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, other borrowings amounting to HK$68,210,000 was settled according to the debt capitalisations (Note 30).

During the year ended 31 December 2022, promissory notes payable amounting to HK$139,389,000 was settled according to the subscription agreement (Note 30).

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 2023	2022	Principal activities
Pan Asia Data (BVI) Inc.	BVI 8 January 2019	BVI	US$1	**100%**	100%	Investment holding
PAD LYGR Limited	BVI 5 November 2019	BVI	US$10,000	**100%**	100%	Investment holding
LYGR (Beijing) *(Note (i))*	The PRC 7 September 2018	The PRC	RMB60,000,000	**45.53%**	45.53%	Provision of information and data services
上海懋宏信息科技有限公司 Shanghai Maohong Information Technology Company Limited ("Shanghai Maohong") *(Notes (ii), (iii)) and (vii)*	The PRC 29 June 2015	The PRC	RMB27,700,000 Paid-up registered capital	**51%**	51%	Provision of information technology services
Days Services *(Note (ii))*	The PRC 25 October 2006	The PRC	RMB150,000,000 Paid-up registered capital	**28.98%**	28.98%	Provision of third-party payment services
Rookwood *(Note (iv))*	BVI 18 October 2000	Hong Kong	US$10,000	**–**	100%	Investment holding
Manfield Coatings Company Limited *(Note (iv))*	Hong Kong 6 June 1986	Hong Kong	HK$1,000 Ordinary shares HK$32,000,000 Non-voting class A shares *(note v)*	**–**	100%	Investment holding and trading of coatings
深圳松輝化工有限公司 Shenzhen Pinefield Chemical Enterprises Company Ltd *(Notes (iv), (vi)) and (vii)*	The PRC 19 June 1990	The PRC	US$5,500,000 Paid-up registered capital	**–**	100%	Manufacturing of coatings
萬輝(廣州)高新材料有限公司 Manfield (Guangzhou) Innovative Material Limited *(Note (iv), (vi)) and (vii)*	The PRC 12 March 2009	The PRC	RMB130,000,000 Paid-up registered capital	**–**	100%	Manufacturing of coatings

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(i) LYGR (Beijing) is a limited liability company established under the laws of the PRC and under the legal ownership of six independent third parties, of which five independent third parties were nominated by the Company (the "LYGR VIE Equity Owners"). 聯洋國信（北京）科技有限公司 Lian Yang Guo Xin (Beijing) Science and Technology Co. Ltd. ("LYGX (Beijing)"), an indirect subsidiary of the Company and the LYGR VIE Equity Owners entered into certain structured contracts namely, the Exclusive Business Consulting and Services Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreements and the Powers of Attorney (together, as "LYGR VIE Contracts"). The LYGR VIE Contracts provide the Group through LYGX (Beijing) with effective control over LYGR (Beijing).

(ii) The companies are registered in the form of domestic limited liability company.

(iii) Shanghai Maohong is a limited liability company established under the laws of the PRC and under the legal ownership of two independent third parties nominated by the Company (the "Maohong VIE Equity Owners"). 上海勝江信息科技有限公司 Shanghai Shengjiang Technology Company Limited ("Shanghai Shengjiang"), an indirect subsidiary of the Company, Shanghai Maohong and the Maohong VIE Equity Owners entered into certain structured contracts namely, the Exclusive Technology Consulting and Services Agreement, the Exclusive Call Option Agreement, the Equity Interest Pledge Agreements, the Powers of Attorney and the Spousal Consent Letters (together, as "Maohong VIE Contracts"). The VIE Contracts provide the Group through Shanghai Shengjiang with effective control over Shanghai Maohong.

(iv) These entities were deconsolidated on 20 November 2023 (Note 34).

(v) The non-voting class A shares practically carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up.

(vi) The companies are registered in the form of wholly-owned foreign enterprises.

(vii) English translated name is for identification purpose only.

None of the subsidiaries has issued any debt securities at the end of the year.

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

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit attributed to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Mao Hong	BVI	**49%**	49%	**(97,185)**	(20,362)	**82,559**	182,582
LYGR	Cayman	**43.09%**	43.09%	**20,431**	5,052	**144,460**	125,977
Individually immaterial subsidiary with non-controlling interests	N/A	**N/A**	N/A	**(1,623)**	(2,094)	**-**	2,951
				(78,377)	(17,404)	**227,019**	311,510

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

	LYGR		Mao Hong	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
As at 31 December				
Current assets	**232,653**	154,459	**389,604**	457,224
Non-current assets	**397,179**	328,180	**10,611**	11,502
Current liabilities	**(266,169)**	(158,902)	**(275,273)**	(203,288)
Non-current liabilities	**(44,859)**	(40,707)	**(210)**	–
Net assets	**318,804**	283,030	**124,732**	265,438
Equity attributable to:				
— Owners of the Company	**174,344**	157,053	**42,173**	82,856
— Non-controlling interest	**144,460**	125,977	**82,559**	182,582
	318,804	283,030	**124,732**	265,438
For the year ended 31 December				
Revenue	**561,399**	397,021	**2,140**	44,892
Expenses	**(522,655)**	(388,137)	**(138,657)**	(77,417)
Profit/(loss) for the year	**38,744**	8,884	**(136,517)**	(32,525)
Profit/(loss) for the year attributable to:				
— Owners of the Company	**18,313**	3,832	**(39,332)**	(12,163)
— Non-controlling interests	**20,431**	5,052	**(97,185)**	(20,362)
	38,744	8,884	**(136,517)**	(32,525)
Other comprehensive expense for the year attributable to:				
— Owners of the Company	**(1,021)**	(6,881)	**(1,350)**	(7,650)
— Non-controlling interests	**(1,949)**	(1,237)	**(2,839)**	(17,088)
	(2,970)	(8,118)	**(4,189)**	(24,738)
Net cash inflow/(outflow) from operating activities	**106,460**	20,318	**(6,056)**	(31,116)
Net cash outflow from investing activities	**(90,645)**	(23,506)	**(609)**	(1,293)
Net cash (outflow)/inflow from financing activities	**(6,207)**	12,821	**(10,059)**	991
Net cash inflow/(outflow)	**9,608**	9,633	**(16,724)**	(31,418)

Financial Summary

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Revenue	**563,539**	441,913	608,158	622,068	730,699
(Loss)/profit for the year from continuing operations	**(132,463)**	(89,216)	(633,273)	(1,122,865)	31,102
Loss for the year from discontinued operation	**(5,814)**	(13,517)	–	–	–
(Loss)/profit for the year	**(138,277)**	(102,733)	(633,273)	(1,122,865)	31,102
(Loss)/profit for the year attributable to					
Owners of the Company	**(59,900)**	(85,329)	(238,682)	(627,682)	(23,309)
Non-controlling interests	**(78,377)**	(17,404)	(394,591)	(495,183)	54,411
	(138,277)	(102,733)	(633,273)	(1,122,865)	31,102

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,628,712**	1,671,056	1,789,818	2,103,179	3,772,833
Total liabilities	**1,171,970**	(1,156,555)	(1,234,243)	(1,261,926)	(1,980,824)
	456,742	514,501	555,575	841,253	1,792,009
Equity attributable to owners of the Company	**229,723**	202,991	211,989	235,003	755,385
Non-controlling interests	**227,019**	311,510	343,586	606,250	1,036,624
	456,742	514,501	555,575	841,253	1,792,009

Notes:

(1) The financial figures for the years ended 31 December 2023 and 2022 were extracted from the consolidated financial statements.

(2) The financial figures for the years ended 31 December 2019 to 2021 were extracted from the 2020 and 2021 annual reports. No restatements for the result of continuing operations and discontinued operation were made on the financial figures for the years ended 31 December 2019 to 2021 in respect of the deconsolidation of subsidiaries which was classified as a discontinued operation during the year ended 31 December 2023.