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旭通控股
STEERING HOLDINGS

Steering Holdings Limited
旭通控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1826)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	Change %
Revenue *(HK$'000)*	**473,860**	1,293,293	(63.4%)
Gross (loss)/profit *(HK$'000)*	**(10,017)**	585,573	N/A
(Loss)/Profit attributable to owners of the Company *(HK$'000)*	**(245,030)**	20,568	N/A
(Loss)/Earnings per share (HK cents)	**(18.4)**	1.7	N/A

- The Group's revenue amounted to approximately HK$473.9 million for the year ended 31 December 2020, representing a decrease of approximately HK$819.4 million or approximately 63.4% as compared with the year ended 31 December 2019.

- The loss attributable to owners of the Company is approximately HK$245.0 million for the year ended 31 December 2020, as compared with profit attributable to owners of the Company of HK20.6 million for the year ended 31 December 2019.

- The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

AUDITED ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 together with the comparative audited figures for the year ended 31 December 2019. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**473,860**	1,293,293
Cost of services		**(483,877)**	(707,720)
Gross (loss)/profit		**(10,017)**	585,573
Other income		**26,615**	1,397
Other gains and losses	*5*	**(24,000)**	(54,606)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*6*	**(311,099)**	(208,003)
Administrative expenses		**(70,824)**	(107,168)
Finance costs	*7*	**(1,933)**	(2,997)
(Loss)/profit before tax	*8*	**(391,258)**	214,196
Income tax expense	*10*	**(38,270)**	(97,619)
(Loss)/profit for the year		**(429,528)**	116,577
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(1,240)**	(25,069)
Exchange differences on translation from functional currency to presentation currency		**2,873**	(3,089)
		1,633	(28,158)

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**13,770**	3,171
Other comprehensive income/(loss) for the year		**15,403**	(24,987)
Total comprehensive (loss)/income for the year		**(414,125)**	91,590
(Loss)/profit for the year attributable to:			
Owners of the Company		**(245,030)**	20,568
Non-controlling interests		**(184,498)**	96,009
		(429,528)	116,577
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(230,877)**	(4,222)
Non-controlling interests		**(183,248)**	95,812
		(414,125)	91,590
(Loss)/earnings per share	*11*		
Basic and diluted (HK cents)		**(18.4)**	1.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,908**	4,079
Intangible assets		**–**	5,763
Right-of-use assets		**337**	7,227
Equity instruments at FVTOCI	*12*	**18,457**	19,697
Deferred tax assets		**3**	51,780
		20,705	88,546
Current assets			
Contract assets	*13*	**95,193**	141,067
Trade and other receivables	*14*	**226,309**	512,152
Financial assets at fair value through profit or loss ("**FVTPL**")	*15*	**13,902**	24,683
Tax recoverable		**1,346**	4,470
Pledged bank deposits		**25,583**	36,316
Bank balances and cash		**24,023**	171,039
		386,356	889,727
Current liabilities			
Trade and other payables	*16*	**229,259**	297,754
Contract liabilities	*17*	**31,731**	37,623
Amounts due to a shareholder	*18*	**12,406**	15,503
Tax payable		**119,285**	123,083
Lease liabilities		**3,994**	6,818
Bank borrowings		**6,500**	52,600
		403,175	533,381
Net current (liabilities)/assets		**(16,819)**	356,346
Total assets less current liabilities		**3,886**	444,892

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**56**	16,278
Lease liabilities	**1,514**	425
	1,570	16,703
Net assets	**2,316**	428,189
Capital and reserves		
Share capital	**13,320**	13,320
Reserves	**14,054**	244,931
Equity attributable to owners of the Company	**27,374**	258,251
Non-controlling interests	**(25,058)**	169,938
Total equity	**2,316**	428,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

Steering Holdings Limited (formerly known as Dafy Holdings Limited) (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 March 2015. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Its immediate holding company is Gentle Soar Limited ("**Gentle Soar**"), a company incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Gao Yunhong ("**Mr. Gao**"), who was the chairman and executive director of the Company. On 20 February 2020, Mr. Gao stepped down from the position of chairman and was re-designated as a non-executive director of the Company. On the same date, Mr. Wang Jing was appointed as the chairman and an executive director of the Company. On 26 November 2020, Mr. Wang Jing resigned as the chairman and executive director of the Company.

On 9 April 2020, the Company's officially registered English name was changed from "Dafy Holdings Limited" to "Steering Holdings Limited" and its Chinese name from "達飛控股有限公司" to "旭通控股有限公司". The stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "DAFY HOLDINGS" to "STEERING HLDGS" in English and from "達飛控股" to "旭通控股" in Chinese with effect from 11 May 2020. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the provision of building consultancy services, contracting business, project management, and provision of financial information and technology services to individuals and credit services providers in the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in Hong Kong Dollar ("**HK$**") to suit the needs of the shareholders and investors. All values are rounded to the nearest thousand except when otherwise stated.

The consolidated financial statements are presented in HK$, which is different from the Company's functional currency of Renminbi ("**RMB**"). The directors of the Company adopted HK$ as presentation currency. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on The Stock Exchange.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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 the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

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

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*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

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

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

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

Going concern

The Group incurred a net loss of approximately HK$429,528,000 for the year ended 31 December 2020 and, as of that date, the Group had net current liabilities of approximately HK$16,819,000. In addition, the Group may be subject to significant late penalties and surcharges related to income tax of financial information and technology services (note 19).

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Company has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group;

(ii) The Group has received a written confirmation dated 1 January 2021 from Mr. Gao, who is a controlling shareholder of the Company through his interest in Gentle Soar, confirming that he will provide financial support to the Group in the following 18 months on a going concern basis. Such assistance to be received by the Group will not be secured by any assets of the Group;

(iii) The Group has taken measures to tighten cost control over expenses, manage and expedite receivables and negotiate a compromise with creditors with a view to achieving positive cash flow from operations; and

(iv) The Group may consider disposing of its loss-making non-core business and/or financial assets if required.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

- Contracting business and project management ("**Contracting service**")
- Provision of building consultancy services ("**Consultancy service**")
- Provision of financial information and technology services ("**Financial information and technology services**")

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2020			
	Contracting service *HK$'000*	Consultancy service *HK$'000*	Financial information and technology services *HK$'000*	Total *HK$'000*
Types of service				
Contracting service	**411,860**	**–**	**–**	**411,860**
Consultancy service	**–**	**44,983**	**–**	**44,983**
Provision of financial information and technology services				
— Pre-loan service	**–**	**–**	**15,956**	**15,956**
— Post-loan service	**–**	**–**	**325**	**325**
— Consumer debt management	**–**	**–**	**736**	**736**
Total	**411,860**	**44,983**	**17,017**	**473,860**
Geographical markets				
Hong Kong	**411,860**	**44,983**	**–**	**456,843**
Mainland China	**–**	**–**	**17,017**	**17,017**
Total	**411,860**	**44,983**	**17,017**	**473,860**
Timing of revenue recognition				
A point in time	**–**	**–**	**16,692**	**16,692**
Over time	**411,860**	**44,983**	**325**	**457,168**
Total	**411,860**	**44,983**	**17,017**	**473,860**

	For the year ended 31 December 2019			
	Contracting service *HK$'000*	Consultancy service *HK$'000*	Financial information and technology services *HK$'000*	Total *HK$'000*
Types of service				
Contracting service	489,053	–	–	489,053
Consultancy service	–	57,689	–	57,689
Provision of financial information and technology services				
— Pre-loan service	–	–	739,906	739,906
— Post-loan service	–	–	6,645	6,645
Total	489,053	57,689	746,551	1,293,293
Geographical markets				
Hong Kong	489,053	57,689	–	546,742
Mainland China	–	–	746,551	746,551
Total	489,053	57,689	746,551	1,293,293
Timing of revenue recognition				
A point in time	–	–	739,906	739,906
Over time	489,053	57,689	6,645	553,387
Total	489,053	57,689	746,551	1,293,293

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue are as follows:

	Contracting service ***HK$'000***	**Consultancy service** ***HK$'000***	**Financial information and technology services** ***HK$'000***
Within one year	**341,024**	**19,549**	**–**
More than one year but not more than two years	**121,292**	**9,329**	**–**
More than two years	**–**	**7,864**	**–**
	462,316	**36,742**	**–**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	Contracting service *HK$'000*	Consultancy service *HK$'000*	Financial information and technology services *HK$'000*
Within one year	399,666	28,582	308
More than one year but not more than two years	130,348	10,747	–
More than two years	37,983	1,640	–
	567,997	40,969	308

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Contracting service
2. Consultancy service
3. Financial information and technology services

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2020

	Contracting service ***HK$'000***	**Consultancy service** ***HK$'000***	**Financial information and technology services** ***HK$'000***	**Total** ***HK$'000***
Segment revenue	**411,860**	**44,983**	**17,017**	**473,860**
Segment (loss)/profit	**(27,141)**	**3,698**	**(307,385)**	**(330,828)**
Unallocated income				**26,615**
Unallocated expenses				**(87,045)**
Loss before tax				**(391,258)**

	Contracting service *HK$'000*	**Consultancy service** *HK$'000*	**Financial information and technology services** *HK$'000*	**Total** *HK$'000*
Other segment information				
Impairment losses under ECL model, net of reversal:				
– allocated	**(20,033)**	**–**	**(290,838)**	**(310,871)**
– unallocated	**–**	**–**	**–**	**(228)**
Gain on disposal on subsidiaries	**1,943**	**–**	**–**	**1,943**
Realised gain on financial assets at FVTPL	**–**	**–**	**47**	**47**
Loss from change in fair value of financial assets at FVTPL	**–**	**–**	**(11,918)**	**(11,918)**

For the year ended 31 December 2019

	Contracting service *HK$'000*	Consultancy service *HK$'000*	Financial information and technology services *HK$'000*	Total *HK$'000*
Segment revenue	489,053	57,689	746,551	1,293,293
Segment profit	28,926	14,617	325,097	368,640
Unallocated income				1,397
Unallocated expenses				(155,841)
Profit before tax				214,196
Other segment information				
Impairment losses under ECL model, net of reversal	(2,084)	–	(205,919)	(208,003)
Loss from change in fair value of financial assets at FVTPL	–	–	(8,930)	(8,930)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit from each segment before tax without allocation of interest income, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets, impairment losses recognised on property, plant and equipment, right-of-use assets and intangible assets, finance cost, other unallocated income and expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No segment assets and liabilities are regularly provided to the CODM for reviews. Therefore, no analysis of segment assets and segment liabilities is presented.

Geographical information

The Group principally operates in Hong Kong and the PRC, which are the principal places of domicile of the relevant group entities.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets (excluding equity instruments at FVTOCI and deferred tax assets) is presented based on the geographical location of the assets.

	Revenue from external customers Year ended		**Non-current assets**	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**456,843**	546,742	**2,245**	8,102
Mainland China	**17,017**	746,551	**–**	8,967
	473,860	1,293,293	**2,245**	17,069

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A[2]	**N/A[1]**	143,026
Customer B[3]	**66,458**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year.

[2] Revenue from financial information and technology services segment.

[3] Revenue from contracting service segment.

No other revenue from transactions with a single external customer amounted to 10% or more of the total revenue of the Group for both years.

5. OTHER GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
Net foreign exchange losses	**(2,679)**	(165)
Gain on disposal on subsidiaries	**1,943**	–
Realised gain on financial assets at FVTPL	**47**	–
Loss on disposal of property, plant and equipment	**(138)**	(12)
Loss from change in fair value of financial assets at FVTPL	**(11,918)**	(8,930)
Loss from change in fair value of convertible bonds at FVTPL	**–**	(45,499)
Impairment losses recognised on:		
— Property, plant and equipment	**(1,012)**	–
— Right-of-use assets	**(5,018)**	–
— Intangible assets	**(5,225)**	–
	(24,000)	(54,606)

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020	2019
	HK$'000	*HK$'000*
Impairment losses/(reversal of impairment losses) recognised on:		
— Trade receivables	**114,839**	176,266
— Retention receivables	**8,407**	640
— Other receivables and deposits	**79,851**	–
— Contract assets	**(6,079)**	7,285
— Deposits to a credit service provider and a financial institution	**36,537**	5,212
— Other receivables from a credit service provider	**77,544**	18,600
	311,099	208,003

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on:		
— Bank borrowings	**1,362**	2,379
— Bank overdrafts	**19**	38
— Loan interest on advance payment	**287**	–
— Lease liabilities	**265**	580
	1,933	2,997

8. (LOSS)/PROFIT BEFORE TAX

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before tax has been arrived at after charging:		
Directors' emoluments	**5,175**	5,066
Salaries and other allowances	**93,478**	158,747
Retirement benefit scheme contributions, excluding those of directors	**5,456**	12,873
Total staff costs	**104,109**	176,686
Auditor's remuneration	**2,759**	3,117
Depreciation of property, plant and equipment	**1,959**	3,020
Amortisation of intangible assets	**821**	111
Depreciation of right-of-use assets	**9,079**	18,608

9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

10. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**27**	1,661
PRC Enterprise Income Tax	**922**	131,308
	949	132,969
Under/(over)-provision in respect of prior years:		
Hong Kong	**21**	(42)
	970	132,927
Deferred tax	**37,300**	(35,308)
Income tax expense	**38,270**	97,619

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The Company's subsidiaries that are tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. A provision for dividend withholding tax of approximately HK$Nil (2019: HK$16,121,000) was recognised for the year ended 31 December 2020.

11. (LOSS)/EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit attributable to owners of the Company)	**(245,030)**	20,568

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**1,332,000**	1,236,110

For the year ended 31 December 2019, the computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds since their assumed exercise would result in an increase in earnings per share.

No diluted loss per share was presented for the year ended 31 December 2020 as there were no potential ordinary shares in issue for the current year.

12. EQUITY INSTRUMENTS AT FVTOCI

	2020	2019
	HK$'000	*HK$'000*
Listed investments		
— Equity securities listed in Hong Kong *(Note)*	**18,457**	19,697

Note: The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading; instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

13. CONTRACT ASSETS

	2020	2019
	HK$'000	*HK$'000*
Contracting service *(Note)*	**95,193**	131,132
Financial information and technology services	**–**	9,935
	95,193	141,067

Note: As at 31 December 2020, contract assets of approximately HK$4,475,000 (2019: HK$13,675,000) were due from a related party, Land Ease Limited ("**Land Ease**"), a company wholly-owned by Mr. Ng Kin Siu.

As at 31 December 2020, included in contract assets was retention held by customers for contract works amounting to approximately HK$37,295,000 (2019: HK$40,970,000), in which approximately HK$$4,475,000 (2019: HK$9,675,000) was retention held by Land Ease. The retention money held by Land Ease was expected to be recovered or settled within twelve months from the end of the reporting period.

14. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables *(Note a)*	**361,885**	390,031
Less: allowance for ECL	**(292,513)**	(178,285)
	69,372	211,746
Retention receivables *(Note b)*	**16,086**	21,662
Less: allowance for ECL	**(2,381)**	(689)
	13,705	20,973
Other receivables, deposits and prepayments		
— Deposits to a credit service provider and a financial institution *(Note c)*	**52,472**	49,794
Less: allowance for ECL	**(42,198)**	(5,212)
	10,274	44,582
— Other receivables from a credit service provider *(Note d)*	**126,727**	177,689
Less: allowance for ECL	**(97,537)**	(18,600)
	29,190	159,089
— Other receivables	**122,901**	25,275
Less: allowance for ECL *(Note e)*	**(80,097)**	–
	42,804	25,275
— Prepayment	**56,349**	43,882
— Sundry deposits	**3,790**	4,917
— Accounts receivables in custodian *(Note f)*	**825**	1,688
	60,964	50,487
	226,309	512,152

Notes:

(a) Of the trade receivables as at 31 December 2020, approximately HK$1,612,000 (2019: HK$20,711,000) were due from Land Ease. The trade receivables due from Land Ease as at 31 December 2020 and 2019 were all aged within 30 days, based on certificate/invoice dates.

(b) Retention money in relation to completed projects of approximately HK$13,470,000 (2019: HK$11,440,000) was unbilled as at 31 December 2020. The Group has an unconditional right to the payment of the unbilled retention receivables which is expected to be billed within 12 months from the end of the reporting period. Of the retention receivables as at 31 December 2020, approximately HK$4,475,000 (2019: HK$Nil) were due from Land Ease.

(c) During the year ended 31 December 2019, the Group paid deposits of approximately RMB35,735,000 (equivalent to approximately HK$39,946,000) and RMB8,804,000 (equivalent to approximately HK$9,848,000) to a credit service provider and a financial institution, respectively. Both parties are independent to the Group. The deposits were calculated based on a fixed percentage of the amounts of loans distributed to the borrowers through the credit service provider or the financial institution. The deposits will be released upon the maturity of the relevant loans. The loans periods are within 3 months to 1 year. As at 31 December 2020, the carrying amount of the deposits was approximately HK$10,274,000 (2019: HK$44,582,000), net of allowance of ECL of approximately HK$42,198,000 (2019: HK$5,212,000).

(d) During the year ended 31 December 2019, the Group provided an amount of approximately RMB158,929,000 (equivalent to approximately HK$177,689,000) to a credit service provider, which is independent to the Group, as part of the business cooperation between the Group and the credit service provider. The amount is unsecured, interest-free and repayable on demand. As at 31 December 2020, the carrying amount of the other receivables was approximately HK$29,190,000 (2019: HK$159,089,000), net of allowance of ECL of approximately HK$97,537,000 (2019: HK$18,600,000).

(e) Of the other receivables as at 31 December 2020, gross carrying amount of approximately HK$79,528,000 arose from payments amounting to RMB67,504,000 made by the Group to agents in relation to the financial information and technology services business of the Group. Full impairment loss under ECL model of approximately HK$79,528,000 was provided during the year ended 31 December 2020.

(f) Balance represents revenue collected by the custodian on behalf of the Group for service fees earned from individual borrowers in the financial information and technology service business. The balance will be transferred back to the bank accounts of the Group upon the Group's instructions.

The Group allows a credit period ranging from 0 to 90 days to its customers. The following is an aged analysis of the Group's trade receivables net of allowance for ECL presented based on certificate/invoice dates:

	2020	2019
	HK$'000	*HK$'000*
Trade receivables:		
1–30 days	**28,489**	86,595
31–60 days	**15,133**	25,316
61–90 days	**2,568**	20,307
91–180 days	**14,101**	47,130
Over 180 days	**9,081**	32,398
	69,372	211,746

	2020	2019
	HK$'000	*HK$'000*
Receivables in relation to billed retention money:		
1–30 days	**–**	1,446
31–60 days	**34**	147
61–90 days	**–**	–
91–180 days	**33**	22
Over 180 days	**168**	7,918
	235	9,533

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$29,549,000 (2019: HK$133,305,000) which are past due as at the reporting date. Out of the past due balances, HK$12,765,000 (2019: HK$38,027,000) have been past due 90 days or more and are not considered as in default due to the long-term/on-going relationship with and good repayment record of these customers. The Group does not hold any collateral over these balances.

15. FINANCIAL ASSETS AT FVTPL

	2020	2019
	HK$'000	*HK$'000*
Equity securities listed in the PRC *(Note)*	**13,902**	24,683

Note: The equity securities were issued by a listed company in the PRC and suspended from trading on 2 July 2020. The fair value of the equity securities are determined based on the valuation under market approach performed by Vincorn Consulting and Appraisal Limited, a firm of independent qualified valuers (2019: quoted market price available on the National Equities Exchange and Quotations ("**NEEQ**")).

16. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**36,405**	147,789
Retention payables *(Note a)*	**45,303**	46,600
Accrued subcontracting charges	**80,745**	58,087
Accrued operating expenses *(Note b)*	**54,876**	45,278
Withholding tax payable related to dividend payable to non-controlling shareholder of a subsidiary	**2,386**	–
Dividend payable to non-controlling shareholder of a subsidiary *(Note c)*	**9,544**	–
	229,259	297,754

Notes:

(a) In accordance with the normal practice of the industry, a certain percentage of contract sums is usually withheld by the Group as retention money for a period of one to two years after the work of subcontractors has been completed.

(b) Included in the balance as at 31 December 2020, is an amount due to 達飛雲貸科技（北京）有限公司 (Dafy Yundai Technology (Beijing) Co., Ltd.) of approximately HK$6,524,000 (2019: HK$2,114,000). This related company is controlled by Mr. Gao for license fee payable and rental deposit refund received by the Group on behalf of Dafy Yundai to this related company.

Included in the balance as at 31 December 2020 is an amount due to 深圳達飛科技控股有限公司 (Shenzhen Dafy Technology Holding Co., Ltd.) ("**Shenzhen Dafy**") of approximately HK$7,106,000 (2019: HK$6,747,000) for the purchase of a risk management and operations management system from Shenzhen Dafy and other operating expenses paid by Shenzhen Dafy on behalf of the Group.

(c) Included in the balance as at 31 December 2020, is a dividend payable to a non-controlling shareholder of a subsidiary, 上饒市紅淼信息科技有限公司 of approximately HKD9,544,000 (equivalent to RMB8,101 ,000) for declared dividends for the years ended 31 December 2018 and 2019.

The credit period on trade payables is 0 to 30 days.

An aged analysis of the Group's trade payables based on invoice dates at the end of the reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
Trade payables:		
1–30 days	**24,202**	61,531
31–60 days	**574**	23,374
61–90 days	**132**	27,288
Over 90 days	**11,497**	35,596
	36,405	147,789

17. CONTRACT LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Deposits from customers	**31,731**	36,594
Advances from customers *(Note)*	**–**	1,029
	31,731	37,623

As at 1 January 2019, contract liabilities amounted to approximately HK$13,875,000.

Note: Advances from customers are unsecured and interest-free and will be set off against progress billings.

18. AMOUNTS DUE TO A SHAREHOLDER

The amount is unsecured, interest-free and repayable within one year from the end of the reporting period.

19. CONTINGENT LIABILITIES

Included in the consolidated financial statements, there are tax payable of approximately HK$119,285,000 and HK$122,745,000 as at 31 December 2020 and 2019, and income tax expenses of approximately HK$54,638,000 and HK$79,700,000 for the years ended 31 December 2020 and 2019 in relation to the financial information and technology services segment which slowed down during the year. Of which only approximately HK$10,280,000 income tax was paid during the year ended 31 December 2020 and no income tax was paid from the end of the reporting period up to the date of approval for issuance of the consolidated financial statements. The Group has engaged an independent tax expert to review the tax position and tax exposure related to the financial information and technology services segment. Up to the date of approval for issuance of the consolidated financial statements, the tax expert is still in process to determine the income tax related to financial information and technology services but has suggested that the Group's may subject to significant late penalty or surcharge.

MANAGEMENT RESPONSE AND THE BOARD'S PLANS/ACTIONS TO DISCLAIMER OPINION

The Group carried out its loan facilitation business (the "**Loan Facilitation business**") in the PRC through Shanghai Faye Yu Technology Company Limited ("**Shanghai Faye Yu**") and its non-wholly owned subsidiaries (collectively, the "**Shanghai Faye Yu Group**"). The Group has established Shanghai Faye Yu in April 2018 which acquired 51% of the equity interest in Shangrao Hongmiao Information Technology Co., Ltd. ("**Shangrao Hongmiao**") in August 2018. Subsequently, Shangrao Hongmiao established two wholly owned subsidiaries in August 2018 and September 2018 respectively. In May 2019, Shangrao Hongmiao has entered into a series of agreements to obtain effective control over the finance, operation and assets of Shenzhen Qianhai Weiyuan Zhicheng Operation Management Technology Co., Ltd. (the "**OPCO**").

During the year ended 31 December 2020 (the "**Year**"), the revenue of the Shanghai Faye Yu Group amounted to approximately HK$16.3 million (2019: HK$746.6 million). Shanghai Faye Yu Group recorded a gross loss and net loss before taxation of approximately HK$4.7 million and HK$321.0 million (2019: gross profit of HK$539.9 million and net profit before taxation of HK$257.5 million) respectively during the Year. As at 31 December 2020, Shanghai Faye Yu Group has total assets and net liabilities of approximately HK$73.1 million and HK$109.2 million respectively (31 December 2019: total assets of HK$536.4 million and net assets of HK$260.4 million).

Other receivables, deposits and prepayments

As mentioned in the "Management discussion and analysis" section on page 30 of this announcement, during the Year, other receivables of approximately HK$74.5 million has been credit-impaired which was related to two of the agents of the Shanghai Faye Yu Group in the PRC. Full provision has been made on the amount outstanding; nevertheless, the Group will endeavor to recover the other receivables by implementing methods including but not limited to taking legal actions and/or negotiating with the agents to obtain collateral.

As mentioned in the "Management discussion and analysis" section on page 31 of this announcement, during the Year, other receivables from a credit service provider of the Shanghai Faye Yu Group amounted to approximately HK$77.5 million has been impaired in accordance with the ECL measurement as per independent valuation report. As at 31 December 2020, the Security Sum, having taken into account the set-off arrangement and ECL measurement, amounted to approximately HK$29.2 million; nevertheless, the Group will endeavor to recover the other receivables from a credit service provider by implementing methods including but not limited to taking legal actions and/or negotiating with the credit service provider to obtain collateral.

As mentioned in the "Management discussion and analysis" section on page 32 of this announcement, during the Year, deposit to a financial institution of the Shanghai Faye Yu Group amounted to approximately HK$9.2 million has been credit-impaired while deposit to a credit service provider of the Shanghai Faye Yu Group amounted to approximately HK$27.3 million has been impaired in accordance with the ECL measurement as per independent valuation report. As at 31 December 2020, deposit to a financial institution amounted to nil and deposit to a credit service provider, having taken into account the ECL measurement amounting to approximately HK$10.3 million; nevertheless, the Group will endeavor to recover the deposit to a credit service provider and a financial institution by implementing methods including but not limited to taking legal actions and/or negotiating with the credit service provider and the financial institution to obtain collateral.

The management of the Group and the auditor have come to a consensus that as 1) Shanghai Faye Yu Group has ceased operations in December 2020 and impairment has been made during the Year; and 2) if the Group dispose of the Shanghai Faye Yu Group in 2021 which, if materialized, will lead to Shanghai Faye Yu Group ceasing to be subsidiaries of the Group upon completion and being treated as having been disposed of in the year ending 31 December 2021, there will still have qualification related to the impairment of the other receivables, deposits and prepayments up to the date of the disposal of Shanghai Faye Yu Group. In addition, the qualification of the gain or loss on the disposal is also expected to be qualified in the following year.

Income tax expense and tax payable

As at 31 December 2020, tax payable in relation to PRC enterprise income tax for the year ended 31 December 2019 of Shanghai Faye Yu Group amounted to approximately HK$119.3 million and the management was still in the process of negotiation with local tax authorities to finalize the taxable amount. The provision made as at 31 December 2020 was based on the 2019 taxable amount without taking into account of certain impairment of trade and other receivables made by the Group in 2020. The provision may be subject to change depending on the outcome of the deductibility of the impairment of trade and other receivables and surcharges of later payment, if any. The actual amount may be higher or lower than the estimates and this will have a significant impact on the income tax expense and tax payable.

In March 2021, the Company engaged an independent tax expert to assess the final tax payable of Shanghai Faye Yu Group which is still in progress up to the date of this announcement. As at the date of this announcement, based on the estimation and associated assumptions as mentioned above, the Directors of the Company consider the tax payable as at 31 December 2020 to be adequate. The management will continue to work with the tax expert and at the same time negotiate with local tax authorities to finalize the taxable amount.

The management of the Group and the auditor have come to a consensus that if the Group 1) make necessary adjustments in accordance with the tax expert's tax report upon completion; and 2) dispose of the Shanghai Faye Yu Group in 2021 which, if materialized, will lead to Shanghai Faye Yu Group ceasing to be subsidiaries of the Group upon completion and being treated as having been disposed of in the year ending 31 December 2021; there will still have qualification related to the income tax expense up to the date of the disposal of Shanghai Faye Yu Group. In addition, the qualification of the gain or loss on disposal is also expected to be qualified in the following year.

Multiple uncertainties relating to the going concern

The Group recorded a net loss of approximately HK$429.5 million for the Year (2019: net profit of HK$116.6 million) and had net current liabilities of approximately HK$16.8 million (2019: net current assets of HK$356.3 million) which may have a considerable impact on the liquidity position of the Group.

There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

1. The Company has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group;

2. The Group has received a written confirmation dated 1 January 2021 from Mr. Gao, who is a controlling shareholder of the Company through his interest in Gentle Soar, confirming that he will provide financial support to the Group in the following 18 months on a going concern basis. Such assistance to be received by the Group will not be secured by any assets of the Group;

3. The Group has taken measures to tighten cost control over expenses, manage and expedite receivables and negotiate a compromise with creditors with a view to achieving positive cash flow from operations; and

4. The Group may consider disposing of its loss-making non-core business and/or financial assets if required.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the development and outcome of the steps taken by the management of the Company as described above. After taking into account the additional working capital which may be obtained as a result of the above steps and its available internal resources, the Directors of the Company believe that the Group will have sufficient working capital for at least 12 months from the date of this announcement. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

REMOVAL OF THE AUDIT QUALIFICATIONS

Based on the Company's discussion with the auditor, as sufficient appropriate audit evidence is yet to be obtained regarding the management's future assessment as at 31 December 2021, the auditor is unable to ascertain whether all audit qualifications can be removed in respect of the Group's financial statements for the year ending 31 December 2021 at this moment.

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Financial information and technology services segment

This segment involves the provision of financial information and technology services to individuals in the PRC with the aim of changing consumer habits through providing a wide range of financial products or services to improve customers' accessibility of financials services. The Group will act as a financial intermediary to leverage on risk management and operations management's systems and other related technologies to analyse big data, assess risk levels, and match the financial needs of services providers and consumers by adopting artificial intelligence.

Construction segment

The services involved in the construction segment include: contracting services for alteration and addition works, maintenance, specialist works and new development, and consulting services for alteration and addition works, new development, licensing and building services for buildings in Hong Kong. The Group provides a one-stop integrated solution for both contracting and consulting services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offering value- adding services such as providing advice on designs to the Group's customers.

Business Review and Outlook

The Group continued to develop contracting services in the construction segment in Hong Kong and the financial information and technology services business in the PRC. The Directors believe that the continuous diversification of business and income streams will take advantage of new business opportunities that may give rise to more sustainable growth in shareholders' value and empower us to capture greater opportunities.

With the outbreak of the coronavirus pandemic (the "**COVID-19**") in the first quarter of 2020, the economic activities during the first half of the year in the PRC and Hong Kong were severely affected due to the implementation of travel restrictions and social distancing measures which disrupted supply chains and changed consumption habits. The lockdowns have negatively affected the consumer market in the PRC with many workers facing layoffs, pay cuts and furloughs. On the other hand, consumption habits are seen to have shifted online, which in turn alleviated the downside effects on consumption and boosted online retail sales.

The business operation of the Group has been affected by the COVID-19 outbreak during the year. Some of the customers' repayments are in unexpected arrears. In addition, travel restrictions in the PRC have resulted in difficulties for some of the Group's employees to report duty, which has adversely affected the operational efficiency of the Group. Considering the progress of the vaccine rollout in the first quarter of 2021, the Company expects that operations will be back to normal as soon as the pandemic becomes under control.

Financial information and technology services segment

The Group has tapped into the financial information and technology services segment in the last quarter of 2018 to diversify the Group's portfolio and expand its operations into China by developing a range of high integrity and user-friendly platforms to serve the financial services users in the PRC. In the long run, the Group will continue to develop its business in this segment through enhancing customers' experiences and developing new channels to become a nationwide enterprise with diverse value-added products in the financial service industry.

The Company was adopting profitable business models by working with different types of strategic partners in the "loan facilitation" (助貸) services in the PRC in 2019. The Company adopted (i) the "business security model" (業務押金模式), where a certain amount of security deposit was provided to the Financial Service Provider to secure the Company's performance under the relevant contracts, and (ii) the "credit trust model" (信任模式), where no security deposit or other pledged asset was involved. With the expansion of the financial information and technology services in the PRC and an increasing competitiveness of the market, the "business security model" has become a common practice in the market as financial service providers could better manage their risks and safeguard their interest in the event of default of payment by borrowers.

The fintech related industry in the PRC has been booming over the past few years. The global consumer adoption of fintech services has surged steadily from 16% in 2015 to 64% in 2019 while China's small and medium-sized enterprises ("**SMEs**") adoption rate was the highest compared with other countries at 61% according to the EY's Global FinTech Adoption index. In August 2019, the central bank of China issued a three-year development plan to improve the quality of financial services, strengthen regulation on technology-driven innovations, and prevent systemic financial risks which could improve the operating environment of the fintech related industry in the PRC.

Nevertheless, the financial information and technology services segment faced headwinds in 2020 amid the pandemic-induced economic downturn in which the Company confronted higher credit risks as consumer finance and SMEs were seriously affected. Credit cycles have been frozen as borrowers and lenders become increasingly wary of making loans until the pandemic passes and the economy fully restarts, leading to a plunge in the usage of the Group's financial information and technology services in the first half of the year.

In addition, in response to the impact of COVID-19 on the Group's operations, the Group has repositioned its business models by expanding its platform's services to consumer debt management in the second half of 2020, where the Group provides services to credit services providers as a financial intermediary. Reference is made to the announcement of the Company dated 30 December 2020. In November 2020, the China Banking and Insurance Regulatory Commission officially announced the end of China's internet financial peer-to-peer lending (P2P) sector, leading to the cessation of business of all operating platforms. The Loan Facilitation business of the Company, developed by its financial information and technology services segment as an intermediary platform, has also been affected by the above. Considering the factors as mentioned in the "Impairment losses, net of reversal" section on page 29 of this announcement, approximately HK$311.1 million of impairment on receivables including intermediary commissions and prepayments have been made for the Year.

Having made reference to different overseas credit business models, the Company intends to further explore on the business model to provide debt restructuring solutions to borrowers who are in financial difficulties and are unable to meet his/her/its repayments of credit card debts and/or debts owing to consumer finance companies, small sized loan companies or even private lenders, etc. The Board believes that, by providing a broader range of financial services, the Group would enlarge its customers base and reduce credit risk exposure. The Company is setting up a one-stop consumer debt management services platform, to provide consultancy services to borrowers and credit service providers as a financial intermediary. It is expected that the repositioning, if materialised, will improve the cash flow and liquidity position of the Group since the new services will reduce the Group's reliance on the consumer market in China. The Company will closely monitor market situations and adjust its strategies as and when needed. In addition, the Group has strengthened cost control and resources management including retrenchment of certain employees in respect of the Group's financial information and technology services segment and putting certain of them on furlough. The Company will keep track of its capital requirements and maintain a continuous dialogue with its stakeholders, including bankers, major shareholders and potential investors in Hong Kong and China, to ensure that future funding, if needed, can be secured in a timely manner.

Construction segment

The Board has been informed by the financing banks of the Group that due to the high risk profile of the Group's financial information and technology services as well as unsatisfactory financial performance of the Group, the financing banks have adopted strengthened credit measures (the "**Strengthened Credit Measures**") towards the Group and tightened the credit control over the Group, including but not limited to accelerating loan repayments and reducing the credit facility limits. As a result of the Strengthened Credit Measures, the Group has repaid HK$47.5 million being part of the accelerated loan repayments during the Year. The Strengthened Credit Measures have substantial impact on the operation of the contracting and consultancy services of the Group which may further cast doubt on certain subsidiaries' ability to continue as a going concern with regard to the contracting and consultancy services. Having said the above, the Company will endeavour to continue the operation of the contracting service business, while it considers streamlining the existing Group structure by disposing of its non-core business and/or financial assets to solidify the financial position of the Group. In this regard, the Company has disposed of certain subsidiaries. For details, please refer to the sub-section headed "Material Acquisition and Disposal of Subsidiaries".

Financial Review

During the Year, due to the slow down of the economy in the PRC and Hong Kong and the outbreak of COVID-19, the revenue of the Group decreased by approximately HK$819.4 million or 63.4% to approximately HK$473.9 million (2019: HK$1,293.3 million). The Group recorded a gross loss of approximately HK$10.0 million (2019: gross profit of HK$585.6 million). During the Year, the Group recognised impairment losses under ECL model, net of reversal of approximately HK$311.1 million (2019: HK$208.0 million). As a result, the Group recorded a net loss for the Year of approximately HK$429.5 million (2019: net profit of HK$116.6 million).

Financial information and technology services segment

The revenue from financial information and technology services decreased by approximately HK$729.6 million or 97.7% from approximately HK$746.6 million for the year ended 31 December 2019 to approximately HK$17.0 million for the Year due to the factors as mentioned in the "Business review and outlook" section on page 24 of this announcement. Therefore, the financial information and technology services segment recorded a gross loss of approximately HK$4.7 million (2019: gross profit of approximately HK$540.0 million), and gross loss margin of 27.6% for the Year (2019: gross profit margin 72.3%).

Construction segment

In August 2020, the Group entered into two sales and purchase agreements to dispose of two non-core subsidiaries at the consideration of approximately HK$5.7 million and HK$1.0 million, respectively, the completion of which took place in November 2020 and December 2020, respectively. The revenue of the two non-core subsidiaries during the Year, which was included in contracting services, was approximately HK$12.4 million and HK$6.2 million respectively.

During the Year, the demands of the Group's contracting and consulting services dropped as compared with the previous year due to the economic downturn in Hong Kong. All the services involved in the construction segment including alternation and addition works, maintenance, specialist works and new development and licensing were severely affected. As a result, the revenue of contracting services and consulting services declined by approximately 15.8% and 22.0% from approximately HK$489.1 million and HK$57.7 million for the year ended 31 December 2019 to approximately HK$411.9 million and HK$45.0 million respectively for the Year.

The contracting services recorded a gross loss of approximately HK$9.1 million for the Year (2019: gross profit of HK$31.0 million) and recorded a gross loss margin of 2.2% for the relevant period (2019: gross profit margin of 6.3%).

The gross loss of contracting services was mainly due to (i) the decrease in gross profit of our top five projects in terms of the contract size; and (ii) high costs of the project team and operating team incurred in maintaining competitiveness of the Group in the tender bidding of other projects in the coming years.

The gross profit of consultancy services decreased by approximately HK$10.9 million or 74.7% from approximately HK$14.6 million for the year ended 31 December 2019 to approximately HK$3.7 million for the Year, and the gross profit margin thereof decreased from approximately 25.3% for the year ended 31 December 2019 to approximately 8.2% for the Year.

The decrease in gross profit in consultancy services was mainly due to COVID-19 epidemic during the year under review resulting in the delay in the progress of existing projects and projects put on hold by customers.

Other Income

Other income amounted to approximately HK$26.6 million for the Year (2019: HK$1.4 million), representing an increase of approximately 1,800.0%, which included approximately HK$9.4 million of employment support scheme in Hong Kong and approximately HK$15.9 million of government grants to certain subsidiaries of the Company located in the PRC.

Other Gains and Losses

The Group has other net losses of approximately HK$24.0 million (2019: HK$54.6 million) for the Year. It resulted from the gain on disposal of subsidiaries, of approximately HK$1.9 million and offset by the effect of impairment losses of intangible assets of approximately HK$5.2 million, impairment losses of right-of-use assets of approximately HK$5.0 million, impairment losses of property, plant and equipment of approximately HK$1.0 million, losses on change in fair value of financial assets of approximately HK$11.9 million, loss on disposal of property, plant and equipment of approximately HK$0.1 million and the net exchange losses of approximately HK$2.7 million (2019: losses on change in fair value of convertible bonds of HK$45.5 million, loss on change in fair value of financial assets of HK$8.9 million and the net exchange loss of HK$0.2 million).

Impairment losses, net of reversal

During the Year, the impairment losses, net of reversal increased by approximately HK$103.1 million or 49.6% to approximately HK$311.1 million (2019: HK$208.0 million) in which approximately HK$290.9 million and HK$20.2 million (2019: HK$205.9 million and HK$2.1 million) are in relation to financial information and technology services segment and construction segment services, respectively.

Details of impairment losses, net of reversal for the Year:

Impairment losses recognised on:	**Non credit-impaired** *HK$ million*	**Credit-impaired** *HK$ million*	**Total** *HK$ million*
Trade receivables	0.8	114.1	114.9
Retention receivables	5.5	2.9	8.4
Other receivables and deposits	5.4	74.5	79.9
Contract assets	(6.1)	–	(6.1)
Deposits to a credit service provider and a financial institution	27.3	9.2	36.5
Other receivables from a credit service provider	77.5	–	77.5
Total	110.4	200.7	311.1

During the Year, approximately HK$104.9 million (2019: HK$160.2 million) and HK$9.2 million (2019: nil) were recognised as credit-impaired trade receivables which related to certain customers in the PRC of the financial information and technology services and certain customers in Hong Kong of the construction segment. The impairment was determined based on the recoverability with reference to time overdue and repeated attempts made by the Group including but not limited to issuance of monthly demand letters, negotiations with the customers, and legal actions taken by the Group. The Directors are of the view that the outstanding trade receivables would not be recoverable and concluded that the trade receivable was credit-impaired.

During the Year, the Group has commenced legal action against one of the customers in relation to the financial information and technology services in order to recover the outstanding fees together with interest incurred in 2019 amounting to approximately RMB71.6 million. Up to the date of this announcement, the litigation is still in progress.

For non credit-impaired trade and retention receivables and contract assets, the Group has engaged an independent valuer to perform impairment assessment. The Group has applied the simplified approach in HKFRS to measure the loss allowance at lifetime ECL by using a provision matrix on a portfolio basis with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year. Subsequently, approximately HK$0.2 million (2019: HK$184.2 million) ECL of the trade and retention receivables and contract assets has been recognised during the Year.

The impairment losses of other receivables ("**ILOR**") and deposits were approximately HK$79.9 million (2019: nil). Out of the ILOR of HK$79.8 million, approximately HK$74.5 million has been recognised for credit-impaired other receivables, which related to the agents in the PRC (the "**Agents**"), all of which are independent third parties, and the remaining ILOR of approximately HK$5.3 million has been recognised for non credit-impaired other receivables, details of which are as follows:

1) During the year of 2019, Shangrao Hongmiao had established business cooperation with several Agents and entered into similar business arrangements with each of the Agents. Under the arrangement, the Agents shall refer individual borrowers in the PRC with financial needs to Shangrao Hongmiao. Shangrao Hongmiao would then analyze the creditworthiness of such individual borrowers and refer such individual borrowers to credit service providers and financial institutions in the PRC (the "**Financial Service Providers**"). The Agents shall be entitled to a service fee ("**Service Fee**") payable by Shangrao Hongmiao based on the income of Shangrao Hongmiao for every successful referral;

2) With a view to promoting and facilitating business development, Shangrao Hongmiao has reached separate agreements with each of the Agents to prepay the Service Fee (the "**Prepayment**"). The parties also agreed that Prepayment shall be used to set off against the Service Fee payable by Shangrao Hongmiao to the Agents. As at 31 December 2020, the Prepayment, having taken into account the set off arrangement and ECL measurement, amounted to approximately HK$0.8 million (2019: HK$17.2 million).

The ILOR of credit-impaired other receivables of HK$74.5 million was determined based on the recoverability of the Prepayment made to two particular Agents, (the "**Defaulting Agents**"), with reference to time overdue, market default rate, actions taken by the Group and economic situations. Having considered the following:

1) the repeated attempts made by the Group for recovery of the Prepayment from the Defaulting Agents, including but not limited to issuance of monthly demand letters for collection of the Prepayment and various negotiations with their senior management on repayment plan and/or obtaining collateral;

2) in October 2020, one of the Defaulting Agents engaged the Group as debt management service provider which provides consultancy services for managing the non-performing debts of the Defaulting Agent. The debt collected will be used to offset the Prepayment. Up to the date of this announcement, a tiny amount of the Prepayment which amounted to approximately HK$490,000 was recovered. It is expected that the debt collected for the next 12 months will be negligible compared with the Prepayment;

3) as at 31 December 2020, over 180 days had elapsed since the amount was paid to the Defaulting Agent; and

4) the weakened consumer spending/lending activities and recent economic downturn in the PRC caused by the novel coronavirus leading to financial deterioration of the Defaulting Agents, who were unable to carry out their business effectively,

The Directors are of the view that the outstanding Prepayment from the Defaulting Agents would not be recoverable and have concluded that the Prepayment was credit-impaired.

The ILOR for non credit-impaired other receivables and deposits of HK$5.4 million, were determined in accordance with the HKFRS 9's requirement on ECL.

The Group has applied the general approach in HKFRS 9 to measure the 12-month or lifetime ECL with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year.

References are made to the Company's 2019 annual report dated 11 May 2020 and supplemental announcement regarding the annual results for the year ended 31 December 2019 dated 17 July 2020, respectively, in relation to business cooperations with credit service provider(s). For the year ended 31 December 2019, the Company commenced business cooperations with Shenzhen Xingrui Information Technology Co., Ltd. (深圳興睿信息科技有限公司) (the "**Credit Service Provider**"), which is an independent third party. In 2019, the Group and the Credit Service Provider reached a business cooperation agreement (the "**Agreement**"), pursuant to which the Group shall refer borrowers who are individuals in the PRC with financial needs (the "**Borrowers**") to the Credit Service Provider, which has established business relationships with individuals or various banks and other licensed financial institutions in the PRC (the "**Lenders**") to distribute their financial products. In order to secure the due performance of the Group under the Agreement including the obligation to return to the Credit Service Provider the accrued interests collected from the Borrowers, the Credit Service Provider has requested the Group, and the Group has agreed, to advance to the Credit Service Provider a sum as security (the "**Security Sum**"), provided that the balance of the Security Sum after netting off the accrued interests received by the Group shall not at any time during the term of the Agreement exceed 5% of the total amount of loans of RMB4 billion that the Lenders intended to provide, i.e. RMB200 million.

The Security Sum is trade-related and arose purely from the course of the Company's business of financial information and technology services and is unsecured and non-interest bearing. During the Year, approximately HK$77.5 million (2019: HK$18.6 million) has been recognised for non credit-impaired on Security Sum based on impairment assessment by an independent valuer.

The Group has applied the general approach in HKFRS 9 to measure the 12-month or lifetime ECL with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year.

As at 31 December 2020, the Security Sum, having taken into account the set-off arrangement and ECL measurement, amounted to approximately HK$29.2 million (2019: HK$159.1 million). During the Year and up to the date of this announcement, the Group has taken the following measures in order to recover the Security Sum:

1) issuance of monthly demand letters for collection;

2) negotiate with their senior management on repayment plan and/or obtaining collateral; and

3) instruct lawyers to commence legal proceedings.

In 2019, the Group paid deposits of approximately RMB35.7 million (equivalent to HK$39.9 million) and RMB8.8 million (equivalent to HK$9.8 million) to a credit service provider and a financial institution, respectively. Both parties are independent of the Group. The deposits were calculated based on a fixed percentage of the amounts of loans distributed to the borrowers through the credit service provider or the financial institution. The deposits will be released when the relevant loans are matured. The loan periods are within 3 months to 1 year. During the Year, approximately HK$9.2 million (2019: nil) has been recognised for credit-impaired deposit to a financial institution. The provision was made with reference to time overdue, market default rate, and actions taken by the Group. Having considered the following:

1) the repeated attempts made by the Group for recovery including but not limited to issuance of monthly demand letters for collection, legal advice and various negotiations with the senior management on repayment plan and/or obtaining collateral; and

2) over 365 day had elapsed as at 31 December 2020;

The Directors are of the view that the outstanding deposit to a financial institution would not be recoverable and have concluded that the deposit to a financial institution was credit impaired.

For non credit-impaired deposit to a credit service provider, the Group has engaged an independent valuer to perform impairment assessment and approximately HK$27.3 million (2019: HK$4.2 million) has been impaired in accordance with the ECL measurement as per independent valuation report. The Group has applied the general approach in HKFRS 9 to measure the 12-month or lifetime ECL with reference to the Company's historical and the counterparties' industry default data, among others, historical aging schedules, settlement and default records, industry credit data and default records, and forward-looking information. The core inputs of the assessment models are consistent with last year.

As at 31 December 2020, deposit to a credit service provider, having taken into account the ECL measurement, amounted to approximately HK$10.3 million (2019: HK$37.9 million). During the Year and up to the date of this announcement, the Group has taken the following measures in order to recover the outstanding deposit:

1) issuance of monthly demand letters for collection;

2) negotiate with their senior management on repayment plan and/or obtaining collateral; and

3) instruct lawyers to commence legal proceedings.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK$36.4 million or 34.0% from approximately HK$107.2 million for the year ended 31 December 2019 to approximately HK$70.8 million for the Year. Such decrease was primarily due to decline in depreciation of right-of-use assets and salaries and other allowances of approximately HK$9.5 million and HK$10.2 million, respectively, during the Year.

Finance Costs

Finance costs of the Group decreased by 36.7% from approximately HK$3.0 million for the year ended 31 December 2019 to approximately HK$1.9 million for the Year, as the interest paid for the bank overdrafts and bank borrowings declined for the Year.

Income Tax expense/(credit)

Due to the suspension of operation of certain subsidiaries in the PRC, the Group recorded a reversal of deferred tax credit of approximately HK$37.3 million (2019: deferred tax credit of HK$35.3 million) during the Year. As a result, the Group recorded income tax expenses of approximately HK$38.3 million during the Year (2019: HK$97.6 million).

Loss/Profit and Total Comprehensive Loss/Income for the Year Attributable to the Owners of the Company

Loss for the year attributable to the owners of the Company was approximately HK$245.0 million for the Year (2019: profit for the year attributable to the owners of the Company of HK$20.6 million).

It was primarily attributable to the net effect of (i) the decrease in revenue of financial information and technology services; and (ii) impairment losses recorded for the Year of approximately HK$311.1 million.

Total comprehensive loss for the year attributable to the owners of the Company was approximately HK$230.9 million (2019: total comprehensive loss for the year attributable to the owners of the company of HK$4.2 million).

It was primarily attributable to the net effect of (i) the decrease in revenue of financial information and technology services; (ii) impairment losses recorded for the Year of approximately HK$311.1 million; (iii) exchange loss on translation from functional currency to presentation currency; and (iv) the fair value loss on the change in fair value of equity instruments through other comprehensive income.

Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income ("**FVTOCI**") represents investments in the ordinary shares of an entity listed in Hong Kong which are held for long-term strategic purposes. FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve. The fair value of the equity is determined based on the quoted market price available on the Stock Exchange.

As at 31 December 2020, the fair value of equity instruments at FVTOCI was approximately HK$18.5 million (31 December 2019: HK$19.7 million) and loss recognised in other comprehensive income during the Year amounted to approximately HK$1.2 million (2019: HK$25.1 million). During the Year, the Company received dividends from FVTOCI amounting to approximately HK$0.5 million (2019: HK$0.3 million).

Financial assets at fair value through profit or loss

Financial assets at FVTPL represents investment in the equity securities issued by a listed company in the PRC. 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" line item in profit or loss. The fair value of the equity securities is determined based on the quoted market price available on the NEEQ.

As mentioned in the Company's announcement dated 9 November 2020, on 17 June 2020 Datong Development Zone Sunshine Micro-credit Co., Ltd.(大同開發區陽光小額貸款股份有限公司)(the "**Target Company**") announced its intention to delist its shares from the NEEQ (the "**Delisting**") in order to improve its operational efficiency and reduce its listing maintenance costs. On 6 July 2020, an extraordinary general meeting (the "**EGM**") of the Target Company was held for the purpose of, among others, considering and approving the Delisting. At the EGM, the Delisting was approved. On 3 August 2020, the Target Company made an application (the "**Application**") for the Delisting with the National Equities Exchange and Quotations Co., Ltd (the "**NEEQ Company**"). The Application has been accepted by the NEEQ Company and is currently under review. Given that the liquidity and value of the equity interest in the Target Company may be severely affected upon the completion of Delisting, the Board is in the process of negotiating with the Target Company to repurchase the Company's equity interests in the Target Company (the "**Repurchase**") and to negotiate the terms of the Repurchase with the Target Company. The Company will make further announcement as and when appropriate to keep the Shareholders and potential investors informed of any material development in connection with the foregoing.

The Group has engaged an independent valuer to assess the fair value of financial asset at FVTPL. As at 31 December 2020, the fair value of financial asset at FVTPL was approximately HK$13.9 million (31 December 2019: HK$24.7 million) and loss from change in fair value of financial assets at FVTPL recognised in other gains and losses during the Year amounted to approximately HK$11.9 million (2019: HK$8.9 million). During the Year, the Company did not receive any dividend from FVTPL (2019: nil).

Liquidity and Financial Resources

Net borrowing position

The total borrowings, including bank overdrafts and bank borrowings and amounts due to shareholders, as at 31 December 2020 decreased by approximately HK$49.2 million to approximately HK$18.9 million (31 December 2019: HK$68.1 million). The change in total borrowings was mainly attributable to decrease in bank overdrafts and bank borrowings of approximately HK$46.1 million during the Year. Bank balances and cash and pledged bank deposits as at 31 December 2020 dropped by approximately HK$157.8 million to approximately HK$49.6 million (31 December 2019: HK$207.4 million). Therefore, the net cash position of the Group declined to approximately HK$30.7 million (31 December 2019: HK$139.3 million).

Structure of bank overdrafts and bank borrowings and amounts due to shareholders

As at 31 December 2020, bank balances and cash and pledged bank deposits of the Group denominated in Renminbi and Hong Kong Dollars amounted to approximately HK$6.1 million and HK$49.6 million respectively (31 December 2019: HK$134.6 million and HK$72.8 million respectively).

As at 31 December 2020, the Group's bank overdrafts and bank borrowings and amounts due to shareholders amounted to approximately HK$6.5 million and HK$12.4 million respectively (31 December 2019: HK$52.6 million and HK$15.5 million respectively), all of which (31 December 2019: all) were denominated in Hong Kong Dollars. The effective interest rate as at year ended was 2.97% (2019: ranged from 5.39% to 5.69%). As at 31 December 2020, all bank overdrafts and bank borrowings and amounts due to shareholders were wholly repayable within one year (31 December 2019: all). As at 31 December 2020, all bank overdrafts and bank borrowings (31 December 2019: all) were charged with reference to the variable-rate and all amounts due to shareholders (31 December 2019: all) were interest-free.

Liquidity ratios and gearing ratios

The current ratio of the Group as at 31 December 2020 was 0.96 times (31 December 2019: 1.67 times). Such decrease was primarily attributable to impairment losses recognised of approximately HK$311.1 million during the Year.

The gearing ratio, calculated based on the total borrowings including bank borrowings and amounts due to shareholders divided by total equity at the end of the Relevant Period and multiplied by 100%, increased to approximately 816.3% as at 31 December 2020 from approximately 15.9% as at 31 December 2019. The gearing ratio increased as the total equity decreased during the Year.

Capital Structure

Funding policy and treasury policy

The Group maintains a prudent funding and treasury policy of its overall business operations to minimise financial risks. Surplus funds are generally placed in short term deposits denominated primarily in Hong Kong Dollars or Renminbi. All future projects will be financed by cash flows from operations, banking facilities, or any forms of financing available in Hong Kong and the PRC.

The Group regularly monitors its liquidity requirements and its relationship with bankers to ensure that it maintains sufficient reserves of cash and an adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

As at 31 December 2020, the Company's issued share capital was HK$13,320,000 (31 December 2019: HK$13,320,000) and the number of issued ordinary shares was 1,332,000,000 (31 December 2019: 1,332,000,000) of HK$0.01 each.

Exposure to Exchange Rate Fluctuation

Most of the operations of the Group were carried out in the PRC and Hong Kong. The transactions were denominated in Renminbi and Hong Kong Dollars from which approximately 3.6% and 96.4% of the revenue were denominated in Renminbi and Hong Kong Dollars respectively (2019: 57.7% and 42.3%). The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations in Renminbi. The Group will continuously review the economic situation, development of the Group's business segments and its overall foreign exchange rate risk profile, and will consider appropriate hedging measures in the future as and when necessary. As of 31 December 2020, the Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives (31 December 2019: nil).

Future Plans for Material Investments and Capital Assets

In the short run, the Group will continue to develop the contracting services in the construction segment in Hong Kong through leveraging its expertise and experience to provide a one-stop integrated solution in order to maintain its core competitive advantages in the segment. At the same time, the Group will keep on diversifying its business to the financial information and technology services segment to explore new markets with significant growth potential in the PRC and consider streamlining the existing Group structure by disposing its non-core business and/or financial assets.

In the long run, the Group will leverage its talents and technological capabilities to collaborate with different strategic alliances in different segments to provide value-added services to its customers in the PRC and Hong Kong.

Material Acquisitions and Disposals of Subsidiaries

On 20 August 2020, FDB & Associates Limited, a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party to dispose of the entire issued share capital of FDB Facade Limited, an indirect wholly-owned subsidiary of the Company at a consideration of HK$5,196,000. FBD Facade Limited is principally engaged in the provision of design, supply and installation services for facade works and curtain wall work solutions. The consideration was determined after arm's length negotiations with reference to various factors, including but not limited to the unaudited net asset value of FDB Facade Limited as at 30 June 2020. Completion of the disposal is conditional upon, among other things, the purchaser being satisfied with the assets, liabilities, state, affairs and conditions of FDB Facade Limited and all necessary consents and authorizations having been obtained. Completion has taken place on 30 December 2020. Upon completion of the disposal, FDB Facade Limited had ceased to be a subsidiary of the Company.

On 20 August 2020, FDB & Associates Limited, a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party to dispose of fifty-one (51) ordinary shares of par value HK$1.00 in the share capital of Unicon Asia Limited, an indirect non-wholly-owned subsidiary of the Company, representing fifty one percent (51%) of its entire issued share capital and the amount owing as at the completion date by Unicon Asia Limited to FDB & Associates Limited in respect of a non-interest bearing loan repayable on demand at a consideration of HK$930,000. Unicon Asia Limited is principally engaged in the provision of supply and installation services of piling connectors on steel casting and the supply of drilling tools. The consideration was determined after arm's length negotiations with reference to various factors, including but not limited to the unaudited net asset value of Unicon Asia Limited as at 30 June 2020. Completion of the disposal is conditional upon, among other things, the purchaser being satisfied with the assets, liabilities, state, affairs and conditions of Unicon Asia Limited and all necessary consents and authorizations having been obtained. Completion has taken place on 30 November 2020. Upon completion of the disposal, Unicon Asia Limited had ceased to be a subsidiary of the Company.

The proceeds from the disposals will be used as general working capital of the Group and to ease the cash flow pressure of the contracting and consulting services.

As all of the applicable percentage ratios for each of the disposals are less than 5%, each of the disposals does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. Please refer to the Company's announcement dated 24 August 2020 for details.

Save as disclosed above and the section headed "Events after the Reporting Period", there was no significant event that took place subsequent to 31 December 2020 and up to the date of this announcement.

Proposed Issue of Equity Securities

On 8 January 2020, the Company and Applied Development Holdings Limited (the "**Subscriber**") entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for the convertible bonds in an aggregate principal amount of up to US$8,000,000 with 6% coupon rate at the initial conversion price of HK$1.22 per conversion share with a term of 364 days (which can, at the option of the Company, be extended for a six-month period). Upon a full conversion of the convertible bonds at the initial conversion price (subject to adjustment), a maximum of 51,147,540 conversion shares will be issued, representing approximately 3.84% of the issued share capital of the Company as at the date of the subscription agreement. Assuming the conversion rights attaching to the convertible bonds are fully exercised at the initial conversion price, the net proceeds from the issue of the convertible bonds, after deducting related expenses, are estimated to be HK$61,700,000. The Directors intend to use the net proceeds from the issue of the convertible bonds (after deduction of the expenses payable in connection therewith) (i) as to approximately HK$56,000,000 in financing its potential future acquisition(s) and for business development; and (ii) as to approximately HK$5,700,000 as general working capital of the Group. The Company and the Subscriber mutually agreed to terminate the subscription agreement on 30 March 2020 and the subscription would not proceed. For details, please refer to the Company's announcements dated 8 January 2020 and 30 March 2020, respectively.

Change of Company Name

On 20 March 2020, the Board announced the proposed change of its registered English name from "Dafy Holdings Limited" to "Steering Holdings Limited" and its Chinese name from "達飛控股有限公司" to "旭通控股有限公司". On 9 April 2020, the special resolution for change of the Company's name was duly passed by the shareholders of the Company at its extraordinary general meeting. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 9 April 2020, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 28 April 2020.

Following the change of the Company's name, the stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "DAFY HOLDINGS" to "STEERING HLDGS" in English and from "達飛控股" to "旭通控股" in Chinese with effect from 11 May 2020. Further, the Company's logo has been changed and the Company's website has been changed to"www.steering.com.hk".

The Board considers that the change of Company name would better reflect the strategic business plan and future business development of the Group and believes that the change of Company name is in the best interests of the Company and its shareholders as a whole.

Charge on the Group's Assets

As at 31 December 2020, the Group has pledged its bank deposit of approximately HK$25.6 million (31 December 2019: HK$36.3 million) to secure the guaranteed credit facilities for issuing surety bonds and general banking facilities amounting to approximately HK$41.2 million (31 December 2019: HK$108.8 million).

Surety Bonds and Contingent Liabilities

Certain customers of construction contracts undertaken by the Group require the Group entities to issue guarantees for performance of contract works in the form of surety bonds secured by pledged bank deposits. In addition, the Group provided a counter-indemnity to the financial institutions which have issued such surety bonds.

As at 31 December 2020, the outstanding amount of surety bonds of the Group was approximately HK$33.2 million (2019: HK$40.2 million).

Save as disclosed above, as at 31 December 2020, the Group did not have any other material contingent liabilities.

Fundraisings through Issue of Convertible Bonds

References are made to the Company's announcements dated 30 August 2019 and 17 December 2019, respectively, and 2019 annual report dated 11 May 2020 in relation to fund raisings through the issue of convertible bonds ("**Convertible Bonds**") in an aggregate principal amount of HK$80,000,000 at the initial price of HK$0.80 with a term of six months after the completion of the placing. The gross and net proceeds from the placing of the Convertible Bonds were HK$80,000,000 and approximately HK$77,600,000 respectively. The Directors applied the net proceeds (i) as to approximately HK$52.4 million for full repayment of the unsecured and interest-free loan payable to Gentle Soar; (ii) as to approximately HK$17.5 million in financing its potential future acquisitions and for business development; and (iii) as to approximately HK$7.7 million as general working capital of the Group.

The following table sets out the intended and actual use of the net proceeds from the issue of the Convertible Bonds as at 31 December 2020:

	Total net proceeds *HK$'000*	**Utilised** *HK$'000*	**Unutilised** *HK$'000*
Use of net proceeds from the placing of the Convertible Bonds			
— Repayment of the unsecured and interest-free loan payable to Gentle Soar	52,355	52,355	–
— Financing its potential future acquisitions and for business development	17,545	17,545	–
— General working capital	7,700	7,700	–
	77,600	77,600	–

Publish Annual Reports and Preliminary Results under Rule 13.46(1) and 13.49(1) of the Listing Rules

References are made to the Company's announcements dated 31 March 2020, 11 May 2020 and 15 May 2020, respectively, in relation to the publication of the annual report and annual results announcement of the Company. Due to the outbreak of COVID-19, the auditing process for the annual results of the Group for the year ended 31 December 2019 was not completed on schedule, and the Group was unable to issue its audited annual results announcement within three months after the end of the previous financial year and to publish its annual report within four months after the end of the previous financial year. Subsequently, the Group issued the unaudited results announcement and audited results announcement for the year ended 31 December 2019, on 31 March 2020 and 11 May 2020, respectively, and published its 2019 annual report on 15 May 2020.

Change of Auditors of the Company

Reference is made to the Company's announcement dated 30 November 2020 in relation to the change of auditors of the Company. Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the auditor of the Company with effect from 30 November 2020 as the Company and Deloitte could not reach a consensus on the fee for the audit of the consolidated financial statements of the Group for the financial year ending 31 December 2020. HLB Hodgson Impey Cheng has been appointed as the new auditor of the Company to fill the casual vacancy following the resignation of Deloitte with effect from 30 November 2020 and to hold office until the conclusion of the next annual general meeting of the Company.

Employees and Remuneration Policies

As at 31 December 2020, the Group employed a total of 207 employees (2019: 567 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$104.1 million for the Year (2019: HK$176.7 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Except for the disclosure below, the Board has complied with all applicable code provisions of the CG Code during the year ended 31 December 2020. During the Year, the Group was unable to fulfil the requirement of code provision A2.1 since Mr. Wang Jing resigned as Chairman on 26 November 2020.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2020.

Purchase, Sale or Redemption of Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2020.

Dividend

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Tuesday, 1 June 2021. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 1 June 2021.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the CG Code, which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick. The chairman of the Audit Committee is Mr. Lau Kwok Fai Patrick, who has appropriate professional qualifications and experience in accounting matters.

The Group's audited annual results in respect of the year ended 31 December 2020 have been reviewed by existing members of the Audit Committee.

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

EVENTS AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated 5 October 2020, 22 January 2021 and 2 February 2021 respectively in relation to the disposal (the "**Disposal**") of the entire issued share capital of Fruit Design & Build Limited (the "**Target Company**"). On 22 January 2021, FDB & Associates Limited (the "**Vendor**") and Mr. Ip Kong Ling (the "**Purchaser**") entered into the sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire shares at the consideration of HK$8,500,000 (subject to adjustment, if any). Completion has taken place on 10 February 2021. Upon completion, the Group no longer holds any interest in the Target Company, the Target Company had ceased to be a subsidiary of the Company and the financial results of the Target Company are no longer consolidated with the results of the Group.

Refer to completion of the Disposal, the Target Company is an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of building consultancy services. In light of the Strengthened Credit Measures, the overall weak performance of the building consultancy business in the past few years and the increasingly difficult business environment of the Target Company, the Disposal would provide the Company with an opportunity to streamline its line of business and the structure of the Group and, at the same time, to obtain immediate cash in return for the Group to focus its resources on the contracting business, which is believed to be more profitable, while the Group continues to explore other more promising business opportunities. It is expected that the Group will record a gain of approximately HK$2.25 million due to the Disposal and the proceeds from the Disposal will be applied towards the general working capital of the Group and repayment of bank loans of the construction segment.

As the Purchaser is a director of the Target Company, the Purchaser is a connected person of the Company at the subsidiary level. As all the applicable percentage ratios for the Disposal are less than 25% and the aggregate consideration for the Disposal is less than HK$10,000,000, the Disposal is therefore subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual consolidated results announcement is published on the Company's website at www.steering.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2020 Annual Report of the Company will be despatched to the shareholders of the Company and made available on the above websites.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The following is the extract of the draft independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2020.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Other receivables, deposits and prepayments

As disclosed in Note 20 to the consolidated financial statements, included in the gross carrying amounts of trade and other receivables of the Group as at 31 December 2020 and 2019 are the following other receivables, deposits and prepayments of the financial information and technology services segment of the Group (the "**Receivables**"):

— deposits of approximately RMB35,735,000 and RMB8,804,000 paid by the Group to a credit service provider and a financial institution respectively during the year ended 31 December 2019 and equivalent to approximately HK$52,472,000 and HK$49,794,000 as at 31 December 2020 and 2019 respectively. As disclosed in note (c) in Note 20, the deposits were calculated based on a fixed percentage of the amounts of the loans distributed to borrowers through the credit service provider or the financial institution and the deposits would be released upon the maturity of the relevant loans, which ranged from 3 months to 1 year from the loan origination date;

— other receivables from a credit service provider of approximately HK$126,727,000 and HK$177,689,000 as at 31 December 2020 and 2019 respectively, which relate to payments amounting to RMB158,929,000 (equivalent to approximately HK$177,689,000) made by the Group to the credit service provider during the year ended 31 December 2019 as part of the business cooperation between the Group and the credit service provider; and

— other receivable of approximately HK$79,528,000 as at 31 December 2020 which arose from payments made by the Group to agents which amounted to approximately RMB67,504,000.

The Receivables had been long outstanding as at 31 December 2020 and based on the impairment assessment performed under the expected credit loss model, impairment loss on the deposits to a credit service provider and a financial institution of approximately HK$36,537,000, impairment loss on other receivables from a credit service provider of approximately HK$77,544,000 and impairment loss on other receivable arising from payments to agents of approximately HK$79,216,000 were recognised in consolidated profit or loss of the Group for the year ended 31 December 2020 to impair the carrying amounts of the Receivables to their estimated recoverable amount of approximately HK$10,274,000, HK$29,190,000 and Nil respectively as at 31 December 2020.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the net carrying amounts of the Receivables as at 31 December 2020 and 2019 and the impairment loss on the Receivables recognised in consolidated profit or loss for the years then ended because we were not provided with (i) reasonable explanation and supporting documentation to substantiate the commercial substance, validity and nature of the relevant transactions that gave rise to the Receivables; and (ii) reasonable explanation and supporting documentation to substantiate the recoverable amount of the Receivables as at 31 December 2020 and the recoverability of the respective net carrying amounts of the Receivables as at 31 December 2019. There were no alternative satisfactory audit procedures that we could adopt to determine whether the net carrying amounts of the Receivables as at 31 December 2020 and 2019 and the impairment loss on the Receivables recognised in consolidated profit or loss for the years then ended contain material misstatements. As a result, we were unable to determine whether any adjustments or additional disclosures might have been found necessary in respect of the Receivables and the impairment losses recognised thereon, including the related tax impact and other related elements in the consolidated financial statements, which may have consequential significant effects on the consolidated financial position of the Group as at 31 December 2020 and 2019 and the consolidated financial performance and consolidated cash flows of the Group for the years then ended, and may result in additional disclosures in the consolidated financial statements.

2. Income tax expense and tax payable

Included in the tax payable of the Group are tax payable of approximately HK$119,285,000 and HK$122,745,000 as at 31 December 2020 and 2019 respectively of the financial information and technology services segment of the Group, for which the related income tax expense recognised in consolidated profit or loss amounted to approximately HK$54,638,000 and HK$79,790,000 for the years ended 31 December 2020 and 2019 respectively. The Group paid only approximately HK$10,280,000 and HK$9,700,000 of income tax in the years ended 31 December 2020 and 2019 respectively in respect of the income tax liabilities of the financial information and technology services segment and no such income tax was paid during the period from the end of the reporting period up to the date of this report. The Group has engaged an independent tax expert to review the tax position and tax exposure of the Group in relation to the financial information and technology services segment. Up to the date of this report, the tax expert is still in the process of determining the income tax related to financial information and technology services but suggested that the Group may be subject to significant late penalty or surcharge. No provision is recognised in the consolidated financial statements in respect of any late penalty or surcharge that may be imposed by the tax authorities.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the provision for late penalty or surcharge that should be recorded by the Group as at 31 December 2020 and 2019 and the carrying amounts of the tax payable as at 31 December 2020 and 2019 because the independent tax expert's review of the tax position and tax exposure of the Group in relation to the financial information and technology services segment is still not yet completed. There were no alternative satisfactory audit procedures that we could adopt to determine whether the carrying amounts of the tax payable and related provision as at 31 December 2020 and 2019 and the tax and related expenses recognised in consolidated profit or loss for the years then ended contain material misstatements. As a result, we were unable to determine whether any adjustments or additional disclosures might have been found necessary in respect of the tax payable and related provision and the tax and related expenses recognised thereon, including the other related elements in the consolidated financial statements, which may have consequential significant effects on the consolidated financial position of the Group as at 31 December 2020 and 2019 and the consolidated financial performance and consolidated cash flows of the Group for the years then ended, and may result in additional disclosures in the consolidated financial statements.

3. Multiple uncertainties relating to the going concern

As explained in Note 3 to the consolidated financial statements, the Group incurred a net loss of approximately HK$429,528,000 for the year ended 31 December 2020, and, as of that date, the Group had net current liabilities of approximately HK$16,819,000. In addition, as described above, the Group may be subject to significant late penalty and surcharge related to income tax of the financial information and technology services segment. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have been undertaking certain measures to improve the Group's liquidity and financial position, as set out in Note 3 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the eventual successful outcome of these measures, which as at the date of this report cannot be ascertained with reasonable certainty and are subject to multiple uncertainties, including (i) whether the Group is able to obtain further financing from its stakeholders; and/or (ii) whether the cost and working capital control measures would significantly reduce overall operating costs of the Group and enable the Group to attain positive cash flow from operations.

Should the Group fail to achieve successful outcomes from the above mentioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analysis provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated financial position of the Group as at 31 December 2020 and the consolidated financial performance and consolidated cash flows of the Group for the year then ended.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 of the Group as set out in the announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the announcement.

By order of the Board
Steering Holdings Limited
Feng Xuelian
Executive Director

Hong Kong, 30 March 2021

As at the date of this announcement, the executive Directors are Ms. Feng Xuelian and Mr. Ng Kin Siu; the non-executive Director is Mr. Gao Yunhong; and the independent non-executive Directors are Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.