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神州數字

China Binary New Fintech Group

神州數字新金融科技集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8255)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of China Binary New Fintech Group (the “Company” and the “Directors”, respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Results (for the year ended 31 December)		
— Revenue	31,929	25,426
— Gross profit	21,899	14,127
— Loss for the year	(70,435)	(46,397)
(Loss)/profit for the year attributable to:		
— Owners of the Company	(67,149)	(49,651)
— Non-controlling interests	(3,286)	3,254
	(70,435)	(46,397)
Loss per share (RMB cents)		
— Basic	(13.99)	(10.34)
Financial Position (as at 31 December)		
— Non-current assets	74,621	153,499
— Current assets	194,023	140,884
— Current liabilities	146,639	60,889
— Non-current liabilities	388	3,516
— Total equity	121,617	229,978

For 2020, the Group recorded operating revenue of approximately RMB31,929,000, representing an increase of approximately RMB6,503,000 or 25.58% as compared to approximately RMB25,426,000 in 2019. For 2020, the Group's cost of revenue was approximately RMB10,030,000, representing a decrease of approximately RMB1,269,000 or 11.23% as compared to RMB11,299,000 in 2019. Gross profit for 2020 amounted to approximately RMB21,899,000, representing an increase of approximately RMB7,772,000 or 55.02% as compared to approximately RMB14,127,000 in 2019.

For 2020, the Group incurred a loss of approximately RMB70,435,000, representing an increase of approximately RMB24,038,000 as compared to the loss of approximately RMB46,397,000 in 2019.

RESULTS

The board of Directors (the “Board”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 (the “Year”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	5	31,929	25,426
Cost of revenue		<u>(10,030)</u>	<u>(11,299)</u>
Gross profit		21,899	14,127
Other income and gains, net	5	2,489	3,771
Fair value gain on intangible assets		711	1,723
Selling and distribution expenses		(12,780)	(7,464)
Administrative expenses		(57,754)	(52,688)
Expected credit losses on contract assets		(2,511)	(4,754)
Expected credit losses on financial assets		(11,567)	(760)
Impairment loss on other non-current assets		(11,850)	—
Share of profit/(losses) of associates		25	(238)
Finance costs		<u>(314)</u>	<u>(2,948)</u>
Loss before income tax	6	(71,652)	(49,231)
Income tax credit	7	<u>1,217</u>	<u>2,834</u>
Loss for the year		<u>(70,435)</u>	<u>(46,397)</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity instruments at fair value through other comprehensive loss, net of tax		(93,957)	(57,827)
Change in fair value of intangible assets		31,660	2,760
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences in translating foreign operations		<u>(1,338)</u>	<u>(66)</u>
Other comprehensive income for the year		<u>(63,635)</u>	<u>(55,133)</u>
Total comprehensive income for the year		<u>(134,070)</u>	<u>(101,530)</u>

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company		(67,149)	(49,651)
Non-controlling interests		<u>(3,286)</u>	<u>3,254</u>
		<u>(70,435)</u>	<u>(46,397)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(130,784)	(104,784)
Non-controlling interests		<u>(3,286)</u>	<u>3,254</u>
		<u>(134,070)</u>	<u>(101,530)</u>
Loss per share (RMB cents)			
— Basic and Diluted	9	<u>(13.99)</u>	<u>(10.34)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		2,593	3,073
Right-of-use assets		1,386	4,990
Intangible assets		50,949	19,961
Other non-current assets		150	12,000
Financial assets at fair value through other comprehensive income		19,210	113,167
Interests in associates		333	308
		<u>74,621</u>	<u>153,499</u>
Total non-current assets		<u>74,621</u>	<u>153,499</u>
Current assets			
Trade receivables	<i>10</i>	7,135	27
Contract assets		468	2,372
Prepayments, deposits and other receivables		24,495	35,283
Inventories		4	11
Cash and cash equivalents		161,921	103,191
		<u>194,023</u>	<u>140,884</u>
Total current assets		<u>194,023</u>	<u>140,884</u>
Liabilities			
Current liabilities			
Trade payables	<i>11</i>	3,994	4,338
Contract liabilities		3,098	1,791
Other payables and accruals		136,965	50,371
Lease liabilities		1,401	3,680
Current tax liabilities		1,181	709
		<u>146,639</u>	<u>60,889</u>
Total current liabilities		<u>146,639</u>	<u>60,889</u>
Net current assets		<u>47,384</u>	<u>79,995</u>
Total assets less current liabilities		<u>122,005</u>	<u>233,494</u>

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		110	1,529
Deferred tax liabilities		278	1,987
		<u> </u>	<u> </u>
Total non-current liabilities		<u> 388</u>	<u> 3,516</u>
NET ASSETS			
		<u> 121,617</u>	<u> 229,978</u>
Equity attributable to owners of the Company			
Issued capital		2,941	2,941
Reserves		83,128	213,912
		<u> </u>	<u> </u>
		86,069	216,853
Non-controlling interests		35,548	13,125
		<u> </u>	<u> </u>
TOTAL EQUITY		<u> 121,617</u>	<u> 229,978</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 May 2011. Its issued shares are listed on the GEM of the Stock Exchange. The Company's registered office and principal place of business are located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and Room 1506, 15/F, Jinhui Building, Qiyang Road, Wangjing, Chaoyang District, Beijing, the People's Republic of China (the "PRC") respectively.

The Company is an investment holding company. The Group is principally engaged in the provision of (i) online transaction services; (ii) software technology services; and (iii) financial services.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for the financial assets at fair value through other comprehensive income and certain intangible assets, which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements have been presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

3. ADOPTION OF HKFRSs

(a) Adoption of amendments to HKFRSs — first effective on 1 January 2020

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

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
HKFRS 17	Insurance Contracts ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendments to HKFRS 16	Lease-COVID-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Annual Improvements to HKFRSs 2018–2020	Annual Improvements to HKFRSs 2018–2020 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the application of them is unlikely to have a significant impact on the Group's future consolidated financial statements.

4. SEGMENT REPORTING

The chief operating decision-maker has been identified as the Company's executive directors. The segments are managed separately as each business offers different services and requires different business strategies. The Group's service lines identified as reportable operating segments are as follow:

- (i) Online transaction services;
- (ii) Software technology services; and
- (iii) Financial services.

During the year, the Group has not entered new contract with any customer in providing micro financing facilitating services and sale of smart hardware products, as such, no revenue is recorded for these two business sectors. For the purpose of better assessment of individual segment performance, the assets/liabilities and performance of these two business sectors are grouped into "unallocated" column, therefore certain information for the year ended 31 December 2019 had been re-presented to conform with current year presentation.

All of the revenue from external customers and non-current assets of the Group are derived from activities or located in the PRC. Accordingly, no geographical information is presented.

The following is an analysis of the Group's revenue and results, assets and liabilities and other information by reportable and operating segments:

	Online transaction services <i>RMB'000</i>	Software technology services <i>RMB'000</i>	Financial services <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2020					
Segment revenue — external	<u>9,055</u>	<u>11,042</u>	<u>11,832</u>	<u>—</u>	<u>31,929</u>
Segment results	<u>249</u>	<u>5,475</u>	<u>(6,312)</u>	<u>—</u>	<u>(588)</u>
Unallocated expenses					<u>(69,847)</u>
Loss for the year					<u>(70,435)</u>
Assets					
Segment assets	10,082	47,892	163,220	—	221,194
Unallocated assets					
— Financial assets at fair value through other comprehensive income					16,410
— Other non-current assets					150
— Cash and cash equivalents					8,151
— Others					<u>22,739</u>
Total assets					<u>268,644</u>
Liabilities					
Segment liabilities	(4,782)	(3,043)	(131,999)	—	(139,824)
Unallocated liabilities					
— Others					<u>(7,203)</u>
Total liabilities					<u>(147,027)</u>
Other information					
Interest income	83	215	126	13	437
Interest expense	—	—	(32)	(282)	(314)
Share of profits/(losses) of associates	—	28	—	(3)	25
Depreciation of property, plant and equipment	(219)	(8)	(167)	(251)	(645)
Depreciation of right-of-use assets	—	—	(153)	(3,433)	(3,586)
Amortisation of intangible assets	—	—	(845)	(39)	(884)
Impairment loss on other non-current assets	—	—	—	(11,850)	(11,850)
Fair value gain on intangible assets					
— cryptocurrencies	—	29,555	—	2,816	32,371
Expected credit losses on financial assets	52	(86)	(208)	(11,325)	(11,567)
Expected credit losses on contract assets	—	(2,511)	—	—	(2,511)
Income tax (expense)/credit	(18)	—	—	1,235	1,217
Additions to property, plant and equipment	<u>40</u>	<u>—</u>	<u>59</u>	<u>214</u>	<u>313</u>

	Online transaction services RMB'000	Software technology services RMB'000 (Re-presented)	Financial services RMB'000	Unallocated RMB'000 (Re-presented)	Total RMB'000
Year ended 31 December 2019					
Segment revenue — external	<u>7,960</u>	<u>15,313</u>	<u>649</u>	<u>1,504</u>	<u>25,426</u>
Segment results	<u>105</u>	<u>1,547</u>	<u>(9,843)</u>	<u>(1,973)</u>	(10,164)
Unallocated expenses					<u>(36,233)</u>
Loss for the year					<u>(46,397)</u>
Assets					
Segment assets	12,198	23,220	75,127	598	111,143
Unallocated assets					
— Financial assets at fair value through other comprehensive income					109,786
— Other non-current assets					12,000
— Cash and cash equivalents					27,523
— Others					<u>33,931</u>
Total assets					<u>294,383</u>
Liabilities					
Segment liabilities	(5,553)	(1,518)	(44,253)	(956)	(52,280)
Unallocated liabilities					
— Others					<u>(12,125)</u>
Total liabilities					<u>(64,405)</u>
Other information					
Interest income	93	7	250	1,157	1,507
Interest expense	(1,175)	(855)	(45)	(873)	(2,948)
Loss on written off of intangible assets	—	(588)	—	—	(588)
Share of losses of associates	—	—	—	(238)	(238)
Depreciation of property, plant and equipment	(266)	(17)	(163)	(324)	(770)
Depreciation of right-of-use assets	—	—	(153)	(3,433)	(3,586)
Amortisation of intangible assets	—	—	(377)	(34)	(411)
Fair value gain on intangible assets					
— cryptocurrencies	—	4,376	—	107	4,483
Expected credit losses on financial assets	37	(251)	(24)	(522)	(760)
Expected credit losses on contract assets	—	(4,754)	—	—	(4,754)
Impairment loss on inventories	—	(1,749)	—	—	(1,749)
Impairment loss on interests in associates	—	(2,279)	—	(840)	(3,119)
Income tax (expense)/credit	(10)	(237)	—	3,081	2,834
Additions to property, plant and equipment	—	2	24	14	40
Additions to intangible assets — Computer software	<u>—</u>	<u>—</u>	<u>9,033</u>	<u>60</u>	<u>9,093</u>

Revenues from one customer of the Group's software technology services segment amounted to RMB6,730,000 (2019: Nil), which represent 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue, other income and gains, net is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers		
Recognised at point in time:		
Provision of online transaction services	9,055	7,960
Sale of smart hardware products	—	1,344
Provision of financial services	4,526	421
Provision of micro financing facilitating services other than financial guarantee service	—	160
	<u>13,581</u>	<u>9,885</u>
Recognised over time:		
Provision of software technology services	11,042	15,313
Provision of financial services	7,306	228
	<u>18,348</u>	<u>15,541</u>
	<u><u>31,929</u></u>	<u><u>25,426</u></u>
Other income and gains, net:		
Interest income	437	1,507
Exchange (loss)/gain	(433)	695
Service income	—	1,133
Return from other non-current assets	41	323
Dividend income from financial assets at fair value though other comprehensive income	51	15
Recovery from other receivables	1,500	—
Written back of other payables	608	—
Others	285	98
	<u>2,489</u>	<u>3,771</u>

6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amortisation of intangible assets	884	411
Cost of inventories sold	—	332
Impairment loss on inventories, included in cost of revenue	—	1,749
Depreciation of property, plant and equipment	645	770
Depreciation of right-of-use assets	3,586	3,586
Fair value gain on intangible assets — cryptocurrencies	(711)	(1,723)
Exchange loss/(gain)	433	(695)
Impairment loss on interests in associates	—	3,119
Impairment loss on other non-current assets	11,850	—
Loss on disposal of property, plant and equipment	28	—
Loss on written off of intangible assets — computer software	—	588
Development costs (<i>note</i>)	13,043	6,871
Employee benefit expenses (including directors' remuneration)		
Wages and salaries	35,978	22,724
Pension scheme contributions	2,546	4,241
Short term lease expenses	121	169
Low value lease expenses	<u>567</u>	<u>818</u>

Note: Development costs mainly comprise staff costs of RMB12,390,000 for the Year (2019: RMB6,744,000), which are also included in the employee benefit expenses disclosed separately above. The Group did not capitalise any development costs for the Year (2019: Nil).

7. INCOME TAX CREDIT

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax — PRC enterprise income tax		
— tax for the year	485	245
— Under provision in respect of prior year	<u>7</u>	<u>2</u>
	492	247
Deferred tax	<u>(1,709)</u>	<u>(3,081)</u>
Income tax credit	<u>(1,217)</u>	<u>(2,834)</u>

Pursuant to the relevant laws and regulations of the PRC, the PRC enterprise income tax rate of all the PRC subsidiaries was 25% on their taxable profits for the years ended 31 December 2020 and 2019, except for Shenzhoufu (Beijing) Software Technology Co., Ltd. (“Shenzhoufu Software”, one of our subsidiaries) which was entitled to certain preferential tax treatment.

Shenzhoufu Software successfully obtained the “National High Technology Enterprise” status in 2014. The status was renewed in 2017, and this qualification is valid for another 3 years commencing from December 2017. The qualification has expired in December 2020. Accordingly, the applicable PRC enterprise income tax rate from January to November this year was 15%, and the applicable PRC enterprise income tax rate from December 2020 was 25%.

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and BVI during the years ended 31 December 2020 and 2019. No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits derived in Hong Kong for the years ended 31 December 2020 and 2019.

8. DIVIDEND

No dividend was proposed or paid during the years ended 31 December 2020 and 2019.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of 480,000,000 ordinary shares (2019: 480,000,000) of the Company.

No diluted loss per share is presented as there were no potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

10. TRADE RECEIVABLES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	7,135	27
Less: expected credit loss	<u>—</u>	<u>—</u>
	<u>7,135</u>	<u>27</u>

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The Group normally does not grant credit period to its customers. For a minor portion of customers who are granted credit period, the credit period is generally 90 days.

The aging analysis of trade receivables (net of impairment losses) based on transaction date are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 3 months	—	17
3 to 6 months	7,134	9
6 months to 1 year	<u>1</u>	<u>1</u>
	<u>7,135</u>	<u>27</u>

11. TRADE PAYABLES

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 1–30 days.

The aging analysis of trade payables based on transaction date are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 3 months	3,306	3,636
3 to 6 months	—	132
6 months to 1 year	101	18
Over 1 year	587	552
	<u>3,994</u>	<u>4,338</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of (i) online transaction services; (ii) software technology services; and (iii) financial services. For a detailed review of each of our businesses, please see the section headed “Financial Review” below.

FINANCIAL REVIEW

Revenue

During the Year, the Group recorded an operating revenue of approximately RMB31,929,000, representing an increase of approximately RMB6,503,000 or 25.58% as compared to that of approximately RMB25,426,000 for last year. The major movements in revenue during the Year was as follows:

1. *Online transaction services*

Due to the rapid growth of mobile payment industry in recent years, the Group’s revenue from online transaction services has been decreasing over the past few years. To respond with our current situation, our Group on one hand exercised control over expenses, and on the other hand explored other businesses by leveraging on our current resources.

During the Year, revenue from online transaction services amounted to approximately RMB9,055,000 (2019: RMB7,960,000). The increase in revenue from online transaction services was the result of the Company’s strengthened collaboration with its existing clients.

2. *Software technology services*

The Group’s software technology services mainly include the services via its self-developed software system and other related technical services.

The revenue from software technology services for the Year was approximately RMB11,042,000 (2019: RMB15,313,000). The aforementioned decrease was attributable to the Group’s priority towards development and promotion of its financial services as its major stream of business.

3. *Financial services*

As more Chinese and Chinese corporates are migrating or doing business worldwide, more Chinese demand overseas banking service to facilitate their personal and business activities, such as payment collection and remittance, deposits, foreign exchange, and global investment management. While at the same time, as Chinese are getting wealthier, they are looking for asset allocation in other countries and looking for overseas investment opportunities.

However, given their relatively small size and the cultural difference between Chinese and western societies, they either face difficulties in obtaining banking and financial services from traditional global banks or do not have satisfactory user-experience in using the services of traditional global banks. The Group, in particular its management team who are generally Chinese, are able to understand the needs of these potential Chinese clients. The management of the Group also believes that effective communication with the clients is crucial to the success of this business. In view of the market needs, the Group, since August 2019, has self-designed and developed the web-base and mobile banking platform to provide financial and banking services to these global customers with an aim to provide comprehensive one-stop services to clients and enhance user-experience to provide quality services.

The Group has developed the financial services business on a global perspective and currently holds qualifications in the US, EU district and Australasia, which is believed to have covered a majority of overseas export destination for the clients. The Group is currently contemplating to obtain further financial services qualifications in other regions to broaden its geographic coverage.

Looking ahead to 2021, as COVID-19 confirmed cases had gradually ceased, more and more SMEs are going for global expansion and more overseas emigrants, more trade finance through banks will be needed.

The Group will continue to monitor the customers needs and design products and services which could capture their needs. The Group also intends to expand its product portfolio and services (such as trust and asset management) to tap into a wider base of customers.

During the Year, the Group's revenue from financial services was mainly derived from banking business and revenue from the provision of financial services amounted to approximately RMB11,832,000 (2019: RMB649,000). Such increase was mainly attributable to the groundwork laid by the management team since 2019 and the rapid increase in number of clients due to the expansion of client base during the Year.

Cost of Revenue

During the Year, the cost of revenue of the Group decreased by approximately RMB1,269,000 or 11.23% to approximately RMB10,030,000 from approximately RMB11,299,000 in 2019. Such decrease in the cost was mainly attributable to the decrease in volume of software technology services.

Gross Profit

During the Year, the gross profit of the Group was approximately RMB21,899,000, representing an increase of approximately RMB7,772,000 or 55.02% as compared to approximately RMB14,127,000 in 2019, and the gross profit margin in 2020 increased to approximately 68.59% from approximately 55.56% in 2019. Such increase in gross profit was mainly attributable to the increase in the volume of financial services with relative higher gross margin.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased by approximately RMB5,316,000 or 71.22% from approximately RMB7,464,000 in 2019 to approximately RMB12,780,000 in 2020. The increase in selling and distribution expenses was attributable to the increase in salaries of sales personnel of the financial services business during the Year.

Administrative Expenses

During the Year, the administrative expenses of the Group were approximately RMB57,754,000, representing an increase of approximately RMB5,066,000 or 9.61% as compared to approximately RMB52,688,000 in 2019. Such increase in administrative expenses was due to the increase in the Group's staff costs.

Income Tax Credit

During the Year, the income tax credit of the Group was approximately RMB1,217,000 (2019: RMB2,834,000) with the effective tax rate of 1.70% (2019: 5.76%).

Loss for the Year

During the Year, the loss of the Group was approximately RMB70,435,000, representing an increase of approximately RMB24,038,000 as compared to the loss of approximately RMB46,397,000 in 2019.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020, cash and cash equivalents of the Group were approximately RMB161,921,000 (31 December 2019: RMB103,191,000), which were mainly denominated in RMB, United States Dollars (“US\$”) and Hong Kong Dollars (“HK\$”).

As at 31 December 2020, the Group had total non-current assets of approximately RMB74,621,000 (31 December 2019: RMB153,499,000). The financial assets at fair value through other comprehensive income were approximately RMB19,210,000 (31 December 2019: RMB113,167,000). The total current assets were approximately RMB194,023,000 (31 December 2019: RMB140,884,000). The current assets mainly included prepayments, deposits and other receivables. The total current liabilities were approximately RMB146,639,000 (31 December 2019: RMB60,889,000). As at 31 December 2020, the Group's current ratio was 1.32 (31 December 2019: 2.31). The Group's gearing ratio was nil as at 31 December 2020 (31 December 2019: nil).

Foreign Exchange Risk

The principal businesses operated by the Group were denominated in RMB, while some assets and liabilities were denominated in US\$ or HK\$. Any material fluctuation of exchange rate from US\$ and HK\$ against RMB will affect the financial results of the Group. The Group will continue to monitor its

foreign currency exposure closely. During the Year, the Group incurred a foreign exchange loss of approximately RMB433,000 (2019: foreign exchange gain of RMB695,000) due to exchange rates changes.

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Employees and Remuneration Policies

As at 31 December 2020, the Group had 135 employees (31 December 2019: 88). For the Year, the Group's staff costs, including Directors' remuneration, amounted to approximately RMB38,524,000 (2019: RMB26,965,000).

The Group believes that employees are one of its most important assets. To meet the requirements of business development, staff costs in 2020 were increased as compared to last year. The Group also actively provides training opportunities for employees to strengthen their working skills. The Group also adopted a share option scheme as an incentive to the Directors and other eligible participants.

Contingent Liabilities and Guarantees

As at 31 December 2020, the Group did not have any external guarantee obligation, did not involve in any pending litigation, and did not have any significant contingent liabilities (2019: nil).

Material Acquisition, Disposal of Subsidiaries, Associates and Joint Ventures

Save for the transactions set out below, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Discloseable Transaction

On 4 May 2020, the Company and CB International Group (the "Target Company"), a company incorporated in the Cayman Islands and a direct non-wholly-owned subsidiary of the Company, and Goalmate LP (the "Fund"), a fund registered in the Cayman Islands as a limited liability partnership, entered into a share subscription agreement, pursuant to which the Target Company will conditionally allot and issue, and the Fund conditionally agreed to subscribe for 36,199,095 shares, representing 9% of the equity interests in the Target Company, at a consideration of HK\$31.1 million. Please refer to the Company's announcement dated 4 May 2020 for further details.

Connected Transaction

On 25 November 2020, Mr. Sun Jiangtao (“Mr. Sun”), the chairman of the Board (the “Chairman”), the executive Director, the chief executive officer (the “CEO”) and the controlling shareholder of the Company, the Company and the Target Company, a company incorporated in the Cayman Islands and a direct non-wholly-owned subsidiary of the Company entered into the subscription agreement, pursuant to which the Target Company will conditionally allot and issue, and Mr. Sun conditionally agreed to subscribe for 5,882,353 shares, representing 1.3% of the equity interests in the Target Company, at a consideration of HK\$5,050,500. Please refer to the Company’s announcement dated 25 November 2020 for further details.

Use of Proceeds

The total net proceeds (the “Net Proceeds”) from the listing of the Company’s shares listed on GEM on 4 December 2013 (the “Listing”) (after deducting the underwriting fees and other Listing expenses) amounted to approximately HK\$48.3 million. Subsequent to the Listing and the announcement entitled “Change in use of proceeds from the Listing” dated 24 September 2019 (the “Announcement”), the unutilised Net Proceeds will be used for the purposes in accordance with the future plans as set out below:

	As disclosed in the Prospectus and subsequently adjusted in the Announcement <i>HK\$' million</i>	Percentage of net proceeds	Actual use of proceeds from the Announcement to 31 December 2020 <i>HK\$' million</i>	Actual use of proceeds during the Year <i>HK\$' million</i>	Unutilised amount as at 31 December 2020 <i>HK\$' million</i>	Expected timeframe of full utilisation of unutilised amount from the Announcement to 31 December 2020
Repayment of bank loans	8.0	16.6%	8.0	—	—	Fully utilised
Research and development on software technology services and sales of smart hardware products	12.0	24.8%	12.0	8.8	—	Fully utilised
Business development for the Group’s overseas financial services	24.0	49.7%	24.0	8.2	—	Fully utilised
General working capital	4.3	8.9%	4.3	—	—	Fully utilised
Total:	<u>48.3</u>	<u>100.0%</u>	<u>48.3</u>	<u>17.0</u>	<u>—</u>	

Prior to the change in use of proceeds from the Listing, the Group did not utilise any funds raised from the Listing.

Significant Events After Reporting Period

On 28 January 2021, the Company, CB International Group and a charitable institution entered into a subscription agreement, pursuant to which CB International Group will conditionally allot and issue, and the charitable institution conditionally agreed to subscribe for 27,149,321 new shares in CB International Group, representing approximately 5.8% of the enlarged equity interests in CB International Group, at a total consideration of US\$3,000,000 (equivalent to approximately HK\$23,300,000). Please refer to the Company's announcement dated 28 January 2021 for further details.

Outlook

This year, while continuing to provide online transaction services and software technology services, the Company has achieved significant growth in overseas financial services business. To date, our overseas banks have served over a thousand of corporate and individual customers and have given support to those going-abroad corporations and individuals with our comprehensive range of services including overseas account opening, fund transfer and remittance, e-commerce collection, currency exchange and other services. Taking the advantage of the customer base of our overseas banks together with our financial services qualifications around the world, we commenced overseas trust, insurance, asset management and other businesses with an aim to provide our customers with comprehensive global financial services.

2020 was a year of turbulence. The small and medium-sized enterprises (SMEs) were hard hit by the global COVID-19 pandemic. Looking forward to 2021, as the pandemic is waning, global economic recovery has kicked off and demand for foreign trading, cross-border transaction and overseas operation is expected to amplify further. With our localised service spirit, professional service quality and digital product format, we are well-prepared to satisfy the growing demand for international financial services of SMEs and facilitate a swift business recovery of going-abroad companies. Meanwhile, we will further explore the demand for global asset allocation of middle-class clusters, enter into the workplace and living environment, enrich our product offerings and provide customers with diversified smart financial services.

CORPORATE GOVERNANCE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Board and the senior management are dedicated to establishing and maintaining a high level of corporate governance. Various measures have been adopted to enhance the management efficiency of the Company and thus to protect the interest of the shareholders of the Company.

During the Year, the Company had applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code (the “CG Code”) and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules except the deviation as stated below:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Sun has been the Chairman and the CEO. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities during the Year.

Neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any rights in relation to convertible securities, options, warrants or similar rights during the Year.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend in respect of the Year (2019: nil).

SCOPE OF WORK OF BDO LIMITED

The financial figures contained in this announcement in respect of the Group’s results for the Year have been agreed by the Company’s external auditor, BDO Limited, as to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by BDO Limited on this announcement.

REVIEW OF RESULTS BY AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) on 9 November 2013 with written terms of reference in compliance with the CG code. The terms of reference of the Audit Committee were revised on 29 December 2018 with effect from 1 January 2019.

The Audit Committee consists of three members, namely Mr. He Qinghua and Mr. Hou Dong, both are independent non-executive Directors and Ms. Zhang Rong, the non-executive Director. Mr. He Qinghua is the chairman of the Audit Committee.

The annual results for the Year have been reviewed by the Audit Committee before submission to the Board for approval. The members of the Audit Committee considered that the results had been prepared in accordance with applicable accounting standards and the GEM Listing Rules and sufficient disclosure had been made.

By order of the Board
China Binary New Fintech Group
Sun Jiangtao

Executive Director, Chairman and Chief Executive Officer

Beijing, The People's Republic of China, 24 March 2021

As at the date of this announcement, the Directors are:

Executive Director

Mr. Sun Jiangtao (*Chairman and Chief Executive Officer*)

Non-executive Director

Ms. Zhang Rong

Independent Non-executive Directors

Mr. Hou Dong, Mr. He Qinghua and Mr. Yang Haoran

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.shenzhofu.hk.