



# ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1808



**ANNUAL  
REPORT  
2018**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Lam Kai Tai (*Chairman*)  
Bai Xuefei

### Independent Non-executive Directors

Hu Gin Ing  
Liu Jian  
Li Wai Kwan

## COMPANY SECRETARY

Liu Chak Sing

## AUTHORISED REPRESENTATIVES

Lam Kai Tai  
Liu Chak Sing

## AUDIT COMMITTEE

Hu Gin Ing (*Committee Chairlady*)  
Liu Jian  
Li Wai Kwan

## REMUNERATION COMMITTEE

Liu Jian (*Committee Chairman*)  
Lam Kai Tai  
Hu Gin Ing  
Li Wai Kwan

## NOMINATION COMMITTEE

Liu Jian (*Committee Chairman*)  
Lam Kai Tai  
Hu Gin Ing  
Li Wai Kwan

## AUDITORS

HLB Hodgson Impey Cheng Limited  
*Certified Public Accountants*

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat B, 11/F  
Hing Lung Commercial Building  
68-74 Bonham Strand  
Sheung Wan  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited  
Royal Bank House – 3rd Floor  
24 Shedden Road, P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

## PRINCIPAL BANKER

Bank of Communications Co., Ltd.

## STOCK CODE

1808

## COMPANY WEBSITE

[www.1808.com.hk](http://www.1808.com.hk)

## CHAIRMAN'S STATEMENTS

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Enterprise Development Holdings Limited (the "Company"), I present herewith the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

For the financial year ended 31 December 2018, the Group recorded a consolidated net loss attributable to equity shareholders of the Company of approximately RMB25 million as compared to the consolidated net loss attributable to equity shareholders of the Company of approximately RMB102 million in the last corresponding year. The consolidated net loss attributable to equity shareholders for the year ended 31 December 2018 was mainly due to, including but not limited to, (i) the distribution expenses of approximately RMB26 million; (ii) the general and administrative expenses of approximately RMB53 million; and net off by (iii) gross profit of approximately RMB24 million. The Board does not recommend the payment of any final dividend for the year ended 31 December 2018.

The Group's software business recorded a slowdown during the year ended 31 December 2018 due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants. The Group will try to maintain its competitiveness in 2019 through introduction of new products and services.

In order to maintain the Group's sustainability and preservation of value over the long term, the Group will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can enhance return to the shareholders of the Company. In particular, the Group will continue to explore potential integration opportunities for the Group's existing IT services with financial service sector. The Group is still optimistic on the growth opportunities in the financial services industry and believe that a successful integration of the Group's IT services with the financial service sector could create further income sources and long-term benefits to the Group.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions.

**Lam Kai Tai**

*Chairman*

Hong Kong, 28 March 2019

# BIOGRAPHIES OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Lam Kai Tai (“Mr. Lam”)**, aged 51, was appointed as an executive Director on 1 June 2015 and further appointed as the chairman of the Board on 3 July 2015. Mr. Lam is a member of each of the Remuneration Committee and the Nomination Committee. He was educated at U.C. Berkeley and University of San Francisco as Finance major. In 1997, Mr. Lam joined First Yuanta Securities Ltd. In 2003, Mr. Lam joined Galaxy Entertainment Group (Macau) as Project Manager to oversee the construction and development of Waldo Hotel, Grand Waldo Hotel, Starworld Hotel and Galaxy Macau. Mr. Lam was an independent non-executive director of Hao Wen Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8019) for the period from April 2011 to November 2014. Mr. Lam has more than 17 years of experience in project management and merger and acquisition.

**Mr. Bai Xuefei (“Mr. Bai”)**, aged 41, was appointed as an executive Director on 1 June 2018. He is graduated from China Agricultural University (中國農業大學), majoring in accounting and received a bachelor’s degree in economics in 1999. Mr. Bai obtained a master’s degree in laws from Heilongjiang University (黑龍江大學) in 2003. Mr. Bai has been an executive Director of Carnival Group International Holdings Limited (stock code: 996) since July 2018, a company whose shares are listed on the main board of the Stock Exchange. Mr. Bai was a deputy general manager of China Nuclear Investment Co., Ltd (中核投資有限公司) from July 2016 to May 2018 and an executive director and the co-chief executive officer of China Nuclear Energy Technology Corporation Limited (stock code: 00611) from September 2016 to January 2018, a company whose shares are listed on the main board of the Stock Exchange. Prior to that, during the period from May 2013 to July 2016, he served as the head of the board office of China Nuclear Engineering Corporation Limited (中國核工業建設股份有限公司), a company whose shares are listed on Shanghai Stock Exchange (stock code: 601611.SH). From November 2004 to May 2013, Mr. Bai was the director of the investor relations division of China Shenhua Energy Company Limited, a company whose shares are listed on Shanghai Stock Exchange (stock code: 601088. SH) and the main board of the Stock Exchange (stock code: 01088). From June 2003 to November 2004, Mr. Bai served as an officer of the policies and regulations research division of Shenhua Group Company Limited (神華集團有限責任公司). He was an executive director and chief executive officer of Rentian Technology Holdings Limited (stock code: 885) from June 2018 to July 2018, a company listed on the main board of the Stock Exchange, which is the controlling shareholder of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Hu Gin Ing (“Ms. Hu”)**, aged 60, was appointed as an independent non-executive Director on 12 March 2011. She is also the chairlady of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. Ms. Hu holds a master degree in business administration from Florida International University, United States of America (“U.S.A.”), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in U.S.A. Ms. Hu is now the vice chairlady of the board of BeneLife Management Limited since February 2018 and the chairlady of the board of Benepet Co., Ltd. since July 2017. Ms. Hu has been the Corp. CFO, Global Finance, of Acer Incorporated, a company listed on the Taiwan Stock Exchange for the period from May 2014 to June 2017. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She is currently an independent non-executive director of Superactive Group Company Limited (formerly known as “United Pacific Industries Limited”) (stock code: 176) since November 2013, an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996) since December 2013, and an independent non-executive director of LVGEM (China) Real Estate Investment Company Limited (stock code: 95) since May 2014, all of which are companies listed on the main board of the Stock Exchange. Ms. Hu also served as an independent director of Arich Enterprise Co. Ltd. (a company listed on the GreTai Securities Market in Taiwan with stock code of 4173) from December 2012 to June 2015. She has over 24 years of experience in accounting and finance.

## BIOGRAPHIES OF DIRECTORS

**Mr Liu Jian (“Mr. Liu”)**, aged 65, was appointed as an independent non-executive Director on 19 January 2017. He is also the chairman of each of the Remuneration Committee and the Nomination Committee, and also a member of the Audit Committee. Mr. Liu studied in Computer Sciences (電子計算機專業) and graduated from Shanghai Jiao Tong University (上海交通大學), PRC in August, 1978. Mr. Liu has over 14 years of investment banking experience, during the period from 1995 to 2009, he held senior management position in the investment banking division or initial public offering projects in various investment banks including DBS Asia Capital Limited, CITIC Capital Market Holdings Limited and CITIC Securities International Company Limited. Prior to that, Mr. Liu worked for China Resources Holdings Company Limited and the then Ministry of Foreign Economic Relations and Trade of the PRC (中華人民共和國對外經濟貿易部). Mr. Liu is currently an independent non-executive director of China Art Financial Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (stock code: 1572).

**Mr. Li Wai Kwan (“Mr. Li”)**, aged 47, was appointed as an independent non-executive Director on 27 April 2017. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He has many years of experience in accounting, finance and investment management. Mr. Li is the chief financial officer of Crystal International Group Limited (stock code: 2232), which is principally engaged in manufacturing of fashion products since November 2018, while he is responsible for finance matters for the Group. From March 2005 to September 2006, he worked for Esprit Holdings Limited, which is listed on the main board of the Stock Exchange (stock code: 330) and principally engaged in manufacturing, retail and wholesale distribution of fashion products, and he served as a vice president of operational finance and a vice president of finance in Asia Pacific region from March 2005 to September 2006, while he was responsible for finance and operational matters. From October 2006 to September 2010, he was a vice president of COFCO China Agri-Industries Holdings Limited, which is listed on the main board of the Stock Exchange (stock code: 606) and principally engaged in trading on agricultural raw materials, manufacturing and distributing food products, while he was responsible for finance, investment and company secretarial matters. Mr. Li was a managing director and director of the board of COFCO Agricultural Industrial Investment Fund Management Company Limited, which is principally engaged in asset management, from September 2010 to October 2011, and he was responsible for managing overall business and investment matters. Mr. Li was a managing director of Origo Partners PLC, whose shares are listed on the London Stock Exchange and principal business is private equity investment, from November 2011 to January 2013, and he was responsible for investment matters. Mr. Li was the chief financial officer of Zhuhai Dahengqin Company Limited and its affiliate Zhuhai Dahengqin Property Company Limited, which is principally engaged in primary land development, real estate development, theme park construction and operation, city operational management, and asset management in Hengqin Free Trade Zone, from December 2013 to October 2018, while he was responsible for finance, investment and fund management matters. Mr. Li is an executive committee member and honorary treasurer of the Hong Kong – ASEAN Economics Cooperation Foundation since 2015, a director of the board of Chartered Professional Accountants of Canada – Hong Kong Chapter since 2017 and a Honorary President of the Institute of Certified Management Accountants – Hong Kong & Macau Branch since 2018. Mr. Li was the chairman of Investor Relations Committee of the Chamber of Hong Kong Listed Companies from 2008 to 2010, the honorary vice chairman of China Enterprise Reputation and Credibility Association (Overseas) in 2009, the chairman of Partnership and Promotion Committee of the Hong Kong Investor Relations Association from 2009 to 2010, a member of the Organizing Committee of Directors of the Year Awards 2010 organized by the Hong Kong Institute of Directors, a committee member of the PRC committee of the Hong Kong Venture Capital and Private Equity Association in 2011, and a committee member of Public Awareness Committee of Hong Kong Society of Financial Analysts in 2016. Mr. Li was a member of Finance Committee of the Hong Kong Housing Authority from 2010 to 2012. Mr. Li was the guest lecturer of the Macau University of Science and Technology in 2016. Mr. Li graduated from University of Toronto in Canada with a bachelor of commerce degree with distinction in November 1995. He further obtained a master of business administration degree from Schulich School of Business, York University in Canada in November 1996. Mr. Li was admitted as a chartered financial analyst of the Chartered Financial Analysts Institute in September 2001, a certified general accountant of the Certified General Accountants of Canada in October 2002, a certified public accountant of the Hong Kong Institute of Certified Public Accountants in October 2004, a fellow chartered certified accountant of the Association of Chartered Certified Accountants in April 2010, a chartered professional



## BIOGRAPHIES OF DIRECTORS

accountant of the Chartered Professional Accountants of British Columbia, Canada in June 2015, a member of Hong Kong Business Accountants Association in December 2015, a fellow certified management accountant of the Institute of Certified Management Accountants in April 2016, and a fellow chartered accountant of the Institute of Chartered Accountant in England & Wales in June 2018.

Mr. Li is the independent non-executive director of KW Nelson Interior Design and Constructing Group Limited (stock code: 8411) since 18 November 2016, the independent non-executive director of Miricor Enterprises Holdings Limited (stock code: 1827) since 19 December 2016, the independent non-executive director of Enterprise Development Holdings Limited (stock code: 1808) since 27 April 2017, the independent non-executive director of TL Natural Gas Holdings Limited (stock code: 8536) since 18 May 2018, and the independent non-executive director of China Greenfresh Group Company Limited (stock code: 6183) since 20 July 2018. Mr. Li was the independent non-executive director of China Graphene Group Limited (stock code: 63) from 1 February 2018 to 31 November 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Turnover

For the year ended 31 December 2018, the Group recorded a turnover from continuing operations of approximately RMB149,091,000 (2017: RMB291,207,000), of which turnover mainly comprised of (i) software maintenance and other services amounted to approximately RMB132,260,000 (2017: RMB279,648,000); (ii) sale of software products and others amounted to approximately RMB15,505,000 (2017: RMB29,001,000); and (iii) net realised and unrealised losses on trading securities amounted to nil (2017: RMB18,062,000). The decrease in turnover from the software business was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants.

### Gross Profit

For the year ended 31 December 2018, the Group recorded a gross profit from continuing operations of approximately RMB24,133,000 (2017: RMB35,925,000). The gross profit ratio for the software business of the Group during the year was approximately 16% while that of the last corresponding year was approximately 17%. The decrease in gross profit ratio was mainly due to the increase in cost of sales while contract value remained stable to maintain competitiveness of the business.

### Distribution Expenses

For the year ended 31 December 2018, distribution expenses from continuing operations were approximately RMB26,319,000 (2017: RMB22,090,000). The increase in distribution expenses was mainly due to the increase in staff costs of the software business in the PRC during the year.

### General and Administrative Expenses

For the year ended 31 December 2018, general and administrative expenses from continuing operations were approximately RMB53,161,000 (2017: RMB25,374,000). The increase in general and administrative expenses was mainly due to the provision for bad debt during the year.

### Finance Costs

For the year ended 31 December 2018, finance costs from continuing operations were approximately RMB1,775,000 (2017: RMB1,724,000). The increase in finance costs was mainly due to the increase in the interest on short-term loan.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Share of Results of an Associate

For the year ended 31 December 2018, the Group did not share any results of an associate (2017: loss of RMB64,516,000) as the share of losses of an associate exceeds the Group's interests in the associate, as such, the Group discontinued recognising its share of further losses in the associate and such associate ceased to be an associate of the Group since 28 June 2018.

## Loss for the Year from Continuing Operations

As a result, the Group recorded a loss from continuing operations for the year ended 31 December 2018 of approximately RMB39,055,000 (2017: RMB91,880,000).

## Loss for the Year from Discontinued Operations

For the year ended 31 December 2018, the Group did not record any loss from discontinued operations. On 7 November 2017, the Group disposed of the entire equity interest in Apex Center Limited and its subsidiaries, which carried out the Group's mobile marketing business. The loss from discontinued operations were approximately RMB5,832,000 for the year ended 31 December 2017.

## Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2018, the Group maintained cash and cash equivalents amounted to approximately RMB96,446,000 (2017: RMB122,971,000). As at 31 December 2018, the Group's current ratio was approximately 4.58 times (2017: 4.67 times); and the Group's net gearing ratio as at 31 December 2018 was not applicable (2017: not applicable), since the Group had cash in excess of interest bearing borrowings.

## Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being.

## Pledge of Assets

As at 31 December 2018 and 2017, the Group has pledged certain trade receivables not less than RMB8,000,000 as security of bank borrowings. As at 31 December 2018 and 2017, except for the bank deposits pledged to secure trade finance facilities to the Group, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including borrowings, and equity attributable to owners of the Company, comprising issued share capital, share premium, accumulated losses and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

## Significant Investment

The Group has not made any significant investment for the year ended 31 December 2018 (2017: Nil).

## Material Acquisition and Disposal of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2018.

## Employees and Remuneration Policies

As at 31 December 2018, the Group employed 125 full time employees (2017: 160). The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains mandatory provident fund schemes for all qualifying employees in Hong Kong.

## Contingent Liabilities

As at 31 December 2018, the Group had no significant contingent liability (2017: Nil).

## Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group recorded a turnover from continuing operations of approximately RMB149,091,000 for the year ended 31 December 2018 (2017: RMB291,207,000), representing a decrease of approximately 49%. The decrease was mainly due to the decrease in turnover from the Group's software business as compared to the year ended 31 December 2017.

The turnover of the software business amounted to approximately RMB147,765,000 for the year ended 31 December 2018 (2017: RMB308,649,000), representing a decrease of approximately 52%. The decrease was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well funded and experienced participants.

## OUTLOOK AND FUTURE BUSINESS STRATEGIES

We have a large client base in the PRC and we have an experienced technical team which can provide our clients with prompt and effective services and business solutions.

Over the past ten years, the Group's software business has provided database software and engineering services to the PRC enterprise customers in terms of life cycle management, health check, troubleshooting and function upgrade which has significant market share and has a strong brand in this area. Despite the slowdown in the Group's software business due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers, the Group will try to maintain its competitiveness through introduction of new products and services.

In order to maintain the Group's sustainability and preservation of value over the long term, the Group will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can enhance return to the shareholders of the Company. In particular, the Group will continue to explore potential integration opportunities for the Group's existing IT services with financial service sector. The Group is still optimistic on the growth opportunities in the financial services industry and believe that a successful integration of the Group's IT services with the financial service sector could create further income sources and long-term benefits to the Group.

## FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

### SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA\*

	2018 RMB'000	For the year ended 31 December			
		2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Turnover	<b>149,091</b>	300,602	389,723	419,706	333,385
Cost of sales	<b>(124,958)</b>	(259,890)	(383,408)	(304,661)	(262,106)
Gross profit	<b>24,133</b>	40,712	6,315	115,045	71,279
(Loss)/profit for the year	<b>(39,055)</b>	(97,712)	(305,284)	13,351	17,979
(Loss)/profit attributable to non-controlling interests	<b>(14,054)</b>	4,474	15,725	5,915	6,507
(Loss)/profit for the year attributable to equity shareholders of the Company	<b>(25,001)</b>	(102,186)	(321,009)	7,436	11,472
				(Restated)	(Restated)
Basic and diluted (losses)/earnings per share (RMB)	<b>(0.047)</b>	(0.198)	(0.797)	0.029	0.074

\* Included the consolidated statement of profit or loss data from both continuing and discontinued operations

# FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

## SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	2018 RMB'000	At 31 December			
		2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Non-current assets	<b>41,749</b>	38,554	105,634	275,724	75,043
Current assets	<b>260,623</b>	319,380	367,592	400,309	321,703
Current liabilities	<b>(56,926)</b>	(68,354)	(121,238)	(152,372)	(66,830)
Net current assets	<b>203,697</b>	251,026	246,354	247,937	254,873
Total assets less current liabilities	<b>245,446</b>	289,580	351,988	523,661	329,916
Non-current liability	<b>-</b>	-	(49)	(46)	-
Net assets	<b>245,446</b>	289,580	351,939	523,615	329,916
Total equity attributable to equity shareholders of the Company	<b>151,499</b>	181,070	257,585	445,537	257,761
Non-controlling interests	<b>93,947</b>	108,510	94,354	78,078	72,155
Total equity	<b>245,446</b>	289,580	351,939	523,615	329,916

	2018	At 31 December			
		2017	2016	2015	2014
Profitability ratios					
Return on shareholder's equity* (Note 1)	<b>(14.60%)</b>	(30.46%)	(69.74%)	3.13%	6.91%
Return on assets* (Note 2)	<b>(11.83%)</b>	(23.51%)	(53.13%)	2.49%	5.78%
Liquidity ratios					
Current ratio (Note 3)	<b>457.83%</b>	467.24%	303.20%	262.72%	481.38%
Receivables turnover days* (Note 4)	<b>122.23</b>	98.25	82.20	76.68	67.96
Inventory turnover days* (Note 5)	<b>3.35</b>	2.69	1.63	1.31	1.73
Payable turnover days* (Note 6)	<b>26.64</b>	34.44	41.96	50.31	31.36
Capital adequacy ratios					
Net gearing ratio (Note 7)	<b>N/A</b>	N/A	N/A	N/A	N/A

(Note 1) (Loss)/profit for the year divided by average total equity and multiplied by 100%.

(Note 2) (Loss)/profit for the year divided by average total assets and multiplied by 100%.

(Note 3) Current assets divided by current liabilities and multiplied by 100%.

(Note 4) Balance of average trade receivables and bills divided by turnover of the year and multiplied by 365 days.

(Note 5) Average inventory balance divided by cost of sales of the year and multiplied by 365 days.

(Note 6) Balance of average trade payables and bills divided by cost of sales of the year and multiplied by 365 days.

(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total equity and multiplied by 100%.

\* Included turnover, cost of sales and (loss)/profit for the year from both continuing and discontinued operations

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance. During the year ended 31 December 2018, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviations from code provisions A.4.1 and D.1.4 of the CG Code, which are explained below.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election. The term of appointment of Ms. Hu Gin Ing, an independent non-executive Director, expired in year 2013 and thereafter she is not appointed for a specific term, but she is subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles").

Code provision D.1.4 of the CG Code requires that, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Lam Kai Tai, chairman and executive Director and Ms. Hu Gin Ing, an independent non-executive Director. However, they are subject to retirement by rotation at least once in every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the year ended 31 December 2018.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

# CORPORATE GOVERNANCE REPORT

The Board currently consists of five Directors including two executive Directors and three independent non-executive Directors:

## Executive Directors

Mr. Lam Kai Tai (*Chairman*)  
Mr. Bai Xuefei

## Independent Non-Executive Directors

Ms. Hu Gin Ing  
Mr. Liu Jian  
Mr. Li Wai Kwan

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors is set out on pages 4 to 6 under the section headed "Biographies of Directors".

## Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors had participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2018 to the Company.

The individual training record of each Director received for the year ended 31 December 2018 is set out below:

<b>Name of Director</b>	<b>Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/director's duties</b>
<i>Executive Directors</i>	
Mr. Lam Kai Tai ( <i>Chairman</i> )	√
Mr. Li Jiang Nan (resigned on 1 June 2018)	√
Ms. Fan Carol (resigned on 27 June 2018)	√
Mr. Bai Xuefei (appointed on 1 June 2018)	√
<i>Independent Non-executive Directors</i>	
Ms. Hu Gin Ing	√
Mr. Liu Jian	√
Mr. Li Wai Kwan	√



# CORPORATE GOVERNANCE REPORT

## Chairman and Chief Executive Officer

Mr. Lam Kai Tai is the chairman of the Board. After the resignation of former chief executive officer of the Company, the role and responsibility of chief executive officer of the Company have been performed by the existing management of the Group.

The Company is in the process of identifying a suitable candidate to assume the role as chief executive officer of the Company and further announcement in this regard will be made as and when appropriate.

## Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, finance and law. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers each of them is independent under Rule 3.13 of the Listing Rules.

Ms. Hu Gin Ing, an independent non-executive Director, was appointed for a term of one year from 12 March 2011, which was automatically renewable for successive term of one year upon the expiry of the said term. The term of appointment of Ms. Hu expired in year 2013 and thereafter she was not appointed for a specific term, but she is subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Liu Jian, an independent non-executive Director, was appointed for a term of three years from 19 January 2017. He is also subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Li Wai Kwan, an independent non-executive Director, was appointed for a term of three years from 27 April 2017. He is also subject to retirement by rotation at least once in every three years in accordance with the Articles.

## Board Diversity Policy

The Board has adopted a Board Diversity Policy on 27 August 2013 (the "Policy") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board delegated certain duties under the Policy to the Nomination Committee. The Nomination Committee will discuss and review the necessity to set the measurable objectives for implementing the Policy from time to time.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

# CORPORATE GOVERNANCE REPORT

## Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results. During the year ended 31 December 2018, the Board held five meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance. The relevant Directors' attendance is shown on page 19.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

## General Meetings

During the year ended 31 December 2018, two general meetings of the Company was held, being the 2018 annual general meeting ("2018 AGM") held on 23 May 2018 and the extraordinary general meeting held on 8 February 2018. The relevant Directors' attendance is shown on page 19.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

## NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Company established the Nomination Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Liu Jian (chairman), Ms. Hu Gin Ing and Mr. Li Wai Kwan, and one executive Director, namely Mr. Lam Kai Tai.

The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The functions of the Nomination Committee are to review and monitor the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; to review the Policy, and review the measurable objectives that the Board has set for implementing the Policy, and the progress on achieving the objective; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new director (to be an additional director or fill a casual vacancy as and when it arises) or any re-appointment of directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

## CORPORATE GOVERNANCE REPORT

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

- a. participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- b. taking the lead where potential conflicts of interests arise;
- c. serving on the audit committee, the remuneration committee and the Nomination Committee (in the case of candidate for non-executive director) and other relevant Board committees, if invited;
- d. bringing a range of business and financial experience to the Board, giving the Board and any committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;
- e. scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- f. ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
- g. conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 December 2018, the Nomination Committee held two meetings for assessing the independence of the independent non-executive Directors; considering the re-election of Directors; reviewing the composition of the Board; and considering and making recommendation to the Board on the appointment of Directors. The relevant Directors' attendance is shown on page 19.

### REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Liu Jian (chairman), Ms. Hu Gin Ing and Mr. Li Wai Kwan, and one executive Director, namely Mr. Lam Kai Tai.

The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

## CORPORATE GOVERNANCE REPORT

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the year ended 31 December 2018, the Remuneration Committee held two meetings for reviewing the remuneration of Directors and senior management; and considering and making recommendation to the Board on the remuneration of a newly appointed Directors. The relevant Directors' attendance is shown on page 19.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 8 to the consolidated financial statements.

### AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Ms. Hu Gin Ing (chairlady), Mr. Liu Jian and Mr. Li Wai Kwan.

The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and reviewing the risk management and internal control systems.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2018, the Audit Committee held two meetings. Each committee meeting has been supplied with necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted. The relevant Directors' attendance is shown on page 19.

During the year ended 31 December 2018, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out on an annual basis.

# CORPORATE GOVERNANCE REPORT

## MEETINGS ATTENDANCE RECORD

The following table summarises the attendance of the former and current Directors and committee members in the respective Board, committee and general meetings held during the year ended 31 December 2018.

	Meetings attended/held in 2018				General Meetings
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Number of meetings held during the Review Period	5	2	2	2	2
<b>Executive Directors</b>					
Mr. Lam Kai Tai ( <i>Chairman</i> )	4/5	N/A	2/2	2/2	2/2
Mr. Li Jiang Nan (resigned on 1 June 2018)	1/2	N/A	N/A	N/A	1/2
Ms. Fan Carol (resigned on 27 June 2018)	2/2	N/A	N/A	N/A	2/2
Mr. Bai Xuefei (appointed on 1 June 2018)	3/3	N/A	N/A	N/A	N/A
<b>Independent Non-Executive Directors</b>					
Ms. Hu Gin Ing	4/5	2/2	1/2	1/2	2/2
Mr. Liu Jian	5/5	2/2	2/2	2/2	1/2
Mr. Li Wai Kwan	5/5	2/2	2/2	2/2	2/2

## AUDITORS' REMUNERATION

During 2018, the fees paid to the Company's external auditors for providing audit and non-audit services (mainly included interim review and acting as reporting accountants in connection with the major transaction) were approximately RMB675,000 and RMB551,000 respectively.

## COMPANY SECRETARY

Mr. Liu Chak Sing ("Mr. Liu") is the company secretary of the Company.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Liu has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2018.

## SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Law (2013 Revision) of the Cayman Islands. The procedures shareholders can use to convene an extraordinary general meeting are set out in the Articles, which is currently available on the website of the Stock Exchange and the Company.

## PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

## PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT SHAREHOLDERS' MEETING

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meeting.

## VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of the forthcoming annual general meeting of the Company will be voted by poll.

## INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Ms. Hu Gin Ing, the chairlady of the Audit Committee, and Mr. Liu Jian, the chairman of each of the Remuneration Committee and the Nomination Committee, attended the 2018 AGM to answer questions of the meeting and collect views of Shareholders.

## DIVIDEND POLICY

This Dividend Policy was adopted by the Board on 28 March 2019:

The amount of any dividends that the Company may declare and pay in the future will be subject to the discretion of the Board and will be based upon the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity position, future expansion plans, amount of retained earnings, distributable reserves and any other conditions that the Directors consider relevant. Any declaration and payment of dividends may also be limited by restrictions under the Companies Law of the Cayman Islands, the Company's constitutional documents, the Listing Rules and any other applicable laws and regulations. The amounts of dividend distributions that the Group has declared and made in the past are not indicative of the dividends that the Company may pay in the future.

The Directors may recommend a payment of dividends after taking into account the general economic conditions, business cycle of the Group's business and any other internal and external factors that may affect the business and financial performance and position of the Group in addition to the above mentioned criteria. Any future declaration of dividends may or may not reflect the historical declarations of dividends and will be at the absolute discretion of the Directors.

The Board will review the Dividend Policy on a regular basis and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing its effectiveness to safeguard the Company's assets and the Shareholders' interests.

The Audit Committee have been established under the Board, which is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.



## CORPORATE GOVERNANCE REPORT

The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the five elements of this risk management framework: internal environmental control, risk management, control activities, information and communication and monitoring and improvement.

The Group aims to develop risk awareness and control responsibility as our culture and the foundation of our internal control system. The internal control system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At beginning of each year, the Group conducts a risk assessment on the existing or potential risks that may impact the achievement of business objectives over the course of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the management determines the action plans and management targets in the expected time of completion according to the risk assessment result. The management is also responsible for managing their respective day-to-day operating risks, implementing measures to mitigate such risks.

The internal control system is designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year ended 31 December 2018, the Group's internal audit function has ensure the effectiveness and efficiency of the risk management and internal control system of the Group. No significant deficiency and weakness on the internal control system has been identified for the year ended 31 December 2018.

The Board considered that, for the year ended 31 December 2018, the risk management and internal control system and procedures of the Group, covering all material controls were reasonably effective and adequate.

### CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2018.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

The Group is pleased to present this Environmental, Social and Governance Report (the “ESG Report”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This ESG Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

## PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) – “Environmental, Social and Governance Reporting Guide” and has complied with the “comply or explain” provisions in the Listing Rules.

This ESG Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group – provision of integrated business software solutions in the People’s Republic of China (“PRC”) (the “Software Business”). With the aim to optimise and improve the disclosure requirements in the ESG Report, the Group has taken initiative to formulate policies, record relevant data as well as implement and monitor measures. This ESG Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## REPORTING PERIOD

This ESG Report demonstrates our sustainability initiatives during the reporting period from 1 January 2018 to 31 December 2018.

## CONTACT INFORMATION

The Group welcomes your feedback on this ESG Report for our sustainability initiatives. Please contact us by email to [ir@1808.com.hk](mailto:ir@1808.com.hk).

## INTRODUCTION

The Group operates its business through two business segments, including software business segment and trading and investment business segment in Hong Kong and the PRC, mainly in Beijing, Shanghai, Chengdu and Guangzhou. The software business segment is engaged in the provision of integrated business software solutions. The trading and investment business segment is engaged in trading securities listed on the Stock Exchange.

In order to response to growing trends on the expectation of the stakeholders on the corporate responsibility performance, the Group is committed to maintaining its operation in a responsible and value-optimising manner and value creation for stakeholders and community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements applicable to us and opinions from stakeholders. Sustainability is essential for the Group’s growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this ESG Report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations of Concern	Engagement channels	Measures
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>- Comply with the laws and regulations</li> <li>- Proper tax payment</li> <li>- Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>- On-site inspections and checks</li> <li>- Annual reports and announcements</li> <li>- Group websites</li> </ul>	<ul style="list-style-type: none"> <li>- Operated managed and paid taxes according to laws and regulations, strengthened safety management accepted the government's supervision, inspection and evaluation (e.g. accepted 1-2 on-site inspections throughout the year), and actively undertook social responsibilities</li> </ul>
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>- Low risk</li> <li>- Return on the investments</li> <li>- Information disclosure and transparency</li> <li>- Protection of interests and fair treatment of shareholders</li> <li>- Comply with the laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Annual general meetings and other shareholder meetings</li> <li>- Annual reports and announcements</li> <li>- Group websites</li> </ul>	<ul style="list-style-type: none"> <li>- Issued notice of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/ circulars and three periodic reports in total in the year. Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing once. Disclosed company contact details on website and in reports and ensured all communication channels are available and effective</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Expectations of Concern	Engagement channels	Measures
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Safeguard the rights and interests of employees</li> <li>- Good working environment</li> <li>- Career development opportunities</li> <li>- Occupational health and safety</li> <li>- Self-actualisation</li> </ul>	<ul style="list-style-type: none"> <li>- Meetings and conferences</li> <li>- Training, seminars, briefing sessions</li> <li>- Cultural and sport activities</li> <li>- Intranet and emails</li> </ul>	<ul style="list-style-type: none"> <li>- Provided a healthy and safe working environment, developed a fair employee policy</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>- Legal and high-quality products/services</li> <li>- Stable relationship</li> <li>- Information transparency</li> <li>- Business ethics and integrity</li> </ul>	<ul style="list-style-type: none"> <li>- Group websites, brochures, annual reports and announcements</li> <li>- Email and customer service hotline</li> <li>- Regular meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Developing products and services that promote the healthiness and well-being of customers through the application of our consumer products</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>- Long-term partnership</li> <li>- Fair and open</li> <li>- Information resources sharing</li> <li>- Risk reduction</li> <li>- Business ethics and integrity</li> </ul>	<ul style="list-style-type: none"> <li>- Business meetings, supplier conferences, phone calls and interviews</li> <li>- On-site audit or checks</li> </ul>	<ul style="list-style-type: none"> <li>- Perform contracts according to agreements; enhance daily communication and establish cooperation with quality suppliers and contractors</li> </ul>
<b>Peers/Industry associations</b>	<ul style="list-style-type: none"> <li>- Experience sharing</li> <li>- Cooperations</li> <li>- Fair competition</li> </ul>	<ul style="list-style-type: none"> <li>- Industry conferences and meetings</li> <li>- Company visits</li> </ul>	<ul style="list-style-type: none"> <li>- Stick to fair play; cooperate with peers to achieve win-win; share experiences and attend seminars of the industry so as to promote sustainable development of the industry.</li> </ul>
<b>Finance Institutions</b>	<ul style="list-style-type: none"> <li>- Repayments on schedule</li> <li>- Business status</li> <li>- Operational risk</li> <li>- Business integrity</li> </ul>	<ul style="list-style-type: none"> <li>- Business conferences</li> <li>- Site visits</li> </ul>	<ul style="list-style-type: none"> <li>- Comply with regulatory requirements in a strict manner; disclose latest Company information in a timely and accurate manner according to rules and regulations.</li> </ul>
<b>Public and communities</b>	<ul style="list-style-type: none"> <li>- Career opportunities</li> <li>- Community involvement</li> <li>- Environmental responsibilities</li> <li>- Social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>- Volunteering</li> <li>- Charity and social investment</li> <li>- Annual reports and announcements</li> </ul>	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group have adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the GRI Guidelines.

The Group have evaluated the materiality and importance in ESG aspects through the following steps:

## **Step 1: Identification – Industry Benchmarking**

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG areas was determined based on the important of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 27 of the Listing Rules).

## **Step 2: Prioritization – Stakeholder Engagement**

- The Group discussed with key stakeholders on key ESG area identified above to ensure all the key aspects to be covered.

## **Step 3: Validation – Determining Material Issues**

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured all the key and material ESG areas, which is important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2018, those important ESG areas to the Group were discussed in this Report.

## **ENVIRONMENTAL ASPECT**

The principal business of the Group does not have any significant adverse effect on the environment. In spite of this, the Group is committed to continuously improve the environmental sustainability of our business, ensuring that environmental consideration remain one of the key focuses in fulfilling the Group's obligations to both the environment and community.

The Group fully complies with the Environmental Protection Law, the Prevention and Control of Atmospheric Pollution, the Regulation on Urban Drainage and Sewage Treatment laws in PRC. During the reporting period, the Group was not aware of any non-compliance regarding environmental issues.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ASPECT A1: EMISSIONS

### Air Pollutants Emission

Emission control is essential to mitigate the adverse impact on environment and it also prevents human from suffering diseases which are caused by air pollution. Operations of the Group do not result in significant air and gas emissions. Our air pollutants are mainly generated from the mobile sources. During the reporting period, the slight increase in air pollutants in 2018 was due to the steady increase in total travelling distance and petrol consumption of vehicles.

The air pollutants emission during the reporting period is as follows:

Air Pollutants	Unit	2018 PRC	2018 HK	2018 Total	2017 Total
Nitrogen oxides (NO <sub>x</sub> )	kg	2.17	–	<b>2.17</b>	1.62
Sulfur dioxide (SO <sub>2</sub> )	kg	0.69	–	<b>0.69</b>	0.67
Particular matter (PM)	kg	0.41	–	<b>0.41</b>	0.39

### Greenhouse Gas (GHG) Emission

Greenhouse gas is considered as one of the major contributors to the climate change and global warming. Our main sources of GHG emission are vehicles and indirect emission through electricity consumption. The Group endeavours to reduce the carbon footprint by adopting energy saving initiatives as mentioned in the section “Use of Resources”. No GHGs emissions are generated through stationary source as the Group is not engaged in any industrial production. During the reporting period, the GHG emission from scope 1 and scope 2 mainly came from mobile source and purchased electricity respectively. The slight increase in total GHG emission in 2018 was attributable to the increase in the total travelling distance and petrol consumption of vehicles during the year.

During the reporting period, the emission of greenhouse gas is as follows:

Gas Emission <sup>1</sup>	Unit	2018 PRC	2018 HK	2018 Total	2017 Total <sup>2</sup>
Scope 1 <sup>3</sup>	tonnes of CO <sub>2</sub> -e	20.14	–	<b>20.14</b>	19.64
Scope 2 <sup>4</sup>	tonnes of CO <sub>2</sub> -e	42.73	9.37	<b>52.10</b>	51.93
<b>Total</b>	<b>tonnes of CO<sub>2</sub>-e</b>	<b>62.87</b>	<b>9.37</b>	<b>72.24</b>	<b>71.57</b>
Intensity	tonnes of CO <sub>2</sub> -e/m <sup>2</sup>	0.051	0.078	<b>0.06</b>	0.043

<sup>1</sup> The calculation of the greenhouse gas emission is based on the “Corporate Accounting and Reporting Standard” from greenhouse gas protocol.

<sup>2</sup> The GHG emission in Hong Kong business segment was insignificant in 2017.

<sup>3</sup> Scope 1: Direct emission from sources that are owned or controlled by the Group.

<sup>4</sup> Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Hazardous and Non-hazardous Wastes

The Group's operational activities do not generate any hazardous waste. Our source of non-hazardous waste is the general waste from office operation. The Group did not record the non-hazardous wastes generated in the year 2018. However, in order to better formulate measures to reduce the non-hazardous waste production, we will take initiative to record relevant data in the coming year. Notwithstanding, the Group strives to minimise the environmental impacts by implementing a variety of waste reduction measures in the office as follows:

### **Paper Saving**

We encourage our employees to reduce their paper use by setting double-sided printing mode, suitable font size and shrinkage mode to maximise the utilisation of paper consumed. We also promote communication by electronic means as much as possible to lower our paper consumption.

### **Materials and Stationery Re-use**

For the packaging materials, employees are encouraged to choose suitable size for packaging. Furthermore, employees are encouraged to reuse the packaging materials to reduce the packaging boxes consumption. For stationery, envelopes and other materials are reused as far as possible.

### **Green Pantry**

Reusable glass cups, instead of paper cups, are provided to reduce paper cups consumption. Green cleaning products, including refillable soaps, are used.

### **Recycling**

Waste segregation is established with separately allocated containers to facilitate recycling of general wastes. For discarded computers, they are collected and recycled by recyclers.

## ASPECT A2: USE OF RESOURCES

The Group aims to promote resource saving and implement suitable energy and water efficiency initiatives in order to improve the resource saving performance. The Group also motivates all its employees to participate in resources conservation activities and encourages them to save energy and water.

### **Energy Consumption**

In view of the scarcity of resources, the Group advocates various energy conservation strategies. For instance, we encourage our staff to turn their computer monitor off at night and ditch the screensaver. Moreover, we unplug our electronic devices to eliminate "vampire power" while they are not in use. In addition, we shut doors and close curtains in order to reduce the costs of heating and cooling without making life uncomfortable. Apart from this, we set the temperature of air-conditioning to an energy-efficient level so that the staff could feel comfortable rather than cold. The slight decrease in electricity consumption in 2018 was attributable to the energy saving strategies were effectively implemented by the Group. On the other hand, the increase in petrol consumption during the year was mainly attributable to more frequent use of vehicles.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the energy consumption is as follows:

Energy	Unit	2018 PRC	2018 HK	2018 Total	2017 Total
Purchased electricity	kWh in '000s	49.52	11.86	<b>61.38</b>	62.24
Petrol	kWh in '000s	82.06	-	<b>82.06</b>	80.04
<b>Total</b>	<b>kWh in '000s</b>	<b>131.58</b>	<b>11.86</b>	<b>143.44</b>	<b>142.28</b>
Intensity	kWh in '000s/m <sup>2</sup>	0.11	0.10	-	0.09

## Water Consumption

During the year, most of the subsidiaries in PRC and the subsidiary in Hong Kong are operated in commercial building where the water supply is solely controlled by the property management company. Hence, it is not feasible for the Group to provide water consumption data for these subsidiaries in 2018 as there is no sub-meter to record water usage. In spite of this, the Group strives to reduce unnecessary water consumption by turning off the water taps when they are not in use and reporting to relevant authority immediately in case of leaking faucet.

During the reporting period, the water consumption of our Group is as follows:

Water	Unit	2018 PRC	2018 HK	2018 Total	2017 Total <sup>5</sup>
Total water consumption	m <sup>3</sup>	2,922.72 <sup>6</sup>	N/A	<b>2,922.72</b>	N/A
Intensity	m <sup>3</sup> /m <sup>2</sup>	12	N/A	<b>12</b>	N/A

## ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES

Regarding the operation of the Group, the Group is not aware of any significant impacts of activities on the environment and natural resources. With the integration of policy and measures to reduce air pollutants emission, greenhouse gas emission and resources consumption, the Group strives to minimise the impacts to the environment and natural resources. In the future, the Group will continue to implement environment-friendly practices in the Group's operation in order to enhance environmental sustainability.

<sup>5</sup> The water consumption data in 2017 was not available as the Group operated in commercial building where water supply was solely controlled by the property management company. Therefore, it was not feasible for the Group to provide water consumption data as there is no sub-meter to record water usage.

<sup>6</sup> The water consumption data in PRC region in 2017 was provided by the subsidiary of 成都東方龍馬信息產業有限公司.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

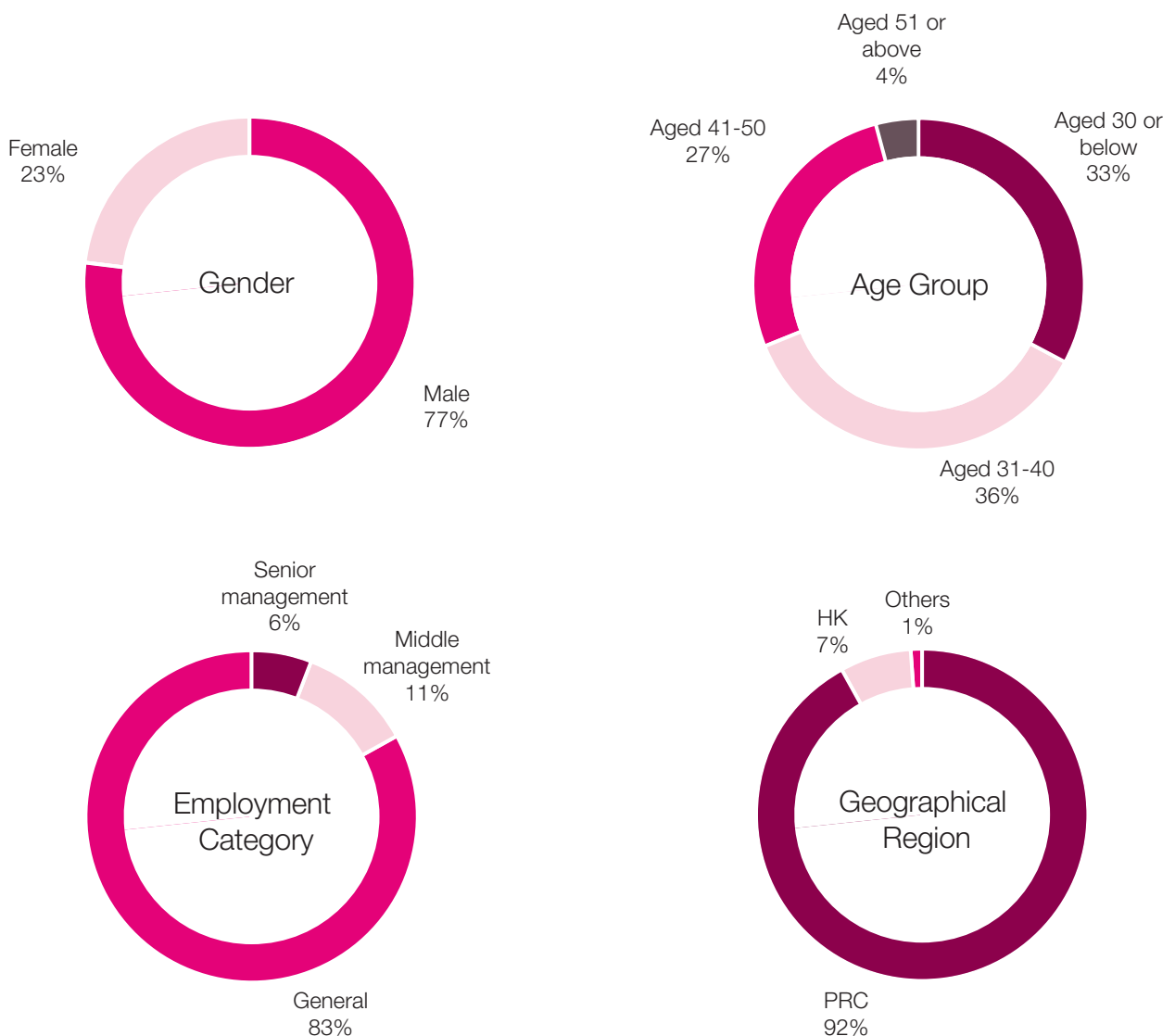
## SOCIAL ASPECT

### EMPLOYMENT AND LABOUR PRACTICES

#### ASPECT B1: EMPLOYMENT

The Group believes people are important assets and the foundation for success and development of the Group. As such, we aim to attract and retain talents, ensure a safe and equal working environment for our employees, provide development opportunities and promote employee health and well-being. All employees are treated equally and their employment, remuneration and promotion opportunities will not be affected by their age, gender, race, colour, sexual orientation, disability or marital status. The employment contract specified the terms including compensation and dismissal, working hours, holiday and other welfare and benefits. The Group is in strict compliance with the Labour Law, the Labour Contract Law in PRC and Employment Ordinance in Hong Kong.

At the end of the reporting period, the Group's Software Business has a total number of 112 employees and the employee composition (in number of employees) by gender, employee category, age group and geographical region are as follows:



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The comparison of employment composition by gender, age group and geographical region of year 2018 and 2017 is as follows:

Employment	Unit	2018	2017
<b>By gender</b>			
– Male	%	77	73
– Female	%	23	27
<b>By age group</b>			
– 30 or below	%	33	32
– 31-40	%	36	46
– 41-50	%	27	17
– 51 or above	%	4	5
<b>By geographical region</b>			
– Beijing	number of employees	38	59
– Shanghai	number of employees	36	57
– Guangzhou	number of employees	27	21
– Chengdu	number of employees	11	13

The Group also advocate our employees to maintain a work-life balance. Hence, the Group has organised a range of activities, including team building activities and annual dinner, to promote healthy working style and strengthen employees' sense of belongings. With the well-established benefit systems and support made to our staff, the Group strives to retain talents for our business operations.

## ASPECT B2: HEALTH AND SAFETY

The Group has always placed the highest priority on securing health and safety for our employees. The Group endeavour to provide a safe and healthy working environment for all employees to protect them from occupational injuries or accidents. To achieve this, the Group has implemented various measures, for examples, providing medical insurance for our employees, cleaning air outlets regularly to reduce the dust level of indoor air and increase efficiency of the ventilation system and cleaning carpet regularly to prevent breeding of bacteria, fungi and mites. Moreover, we reserve no effort to minimise the risk of fire by prohibiting smoking in the office areas, equipping fire and safety equipment in the office and regularly checking the validity of fire facilities.

The Group adheres to the Labour Law of the PRC, the Law of the PRC on the prevention of Labour Rights and Interests and other applicable laws and regulations. During the reporting period, the Group reported zero work-related fatalities and injuries.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ASPECT B3: DEVELOPMENT AND TRAINING

The Group considers the skills and knowledge of our employees as the key elements to sustainable development of the Group. We continue to promote a learning culture and offer structured training programs, including internal and external trainings, to enhance employees' requisite knowledge and techniques in discharging their duties. The trainings provided are based on the business vision and objectives of the Group and assessment of the performance and capability of employees.

During the reporting period, the percentage of employee trained and the average training hours completed per employee by gender and employee category are as follows:

<b>Training</b>	<b>Percentage of employees trained (%)</b>
<b>By gender<sup>11</sup></b>	
– Male	25
– Female	–
<b>By employment category<sup>12</sup></b>	
– Senior management	14
– Middle management	8
– General	21

<b>Training hours</b>	<b>Average training hours (hours/employee)</b>
<b>By gender</b>	
– Male	10
– Female	24
<b>By employment category</b>	
– Senior management	3
– Middle management	5
– General	8

## ASPECT B4: LABOUR STANDARDS

The Group is committed to upholding the elimination of all forms of forced and compulsory labour, and supporting the effective abolition of child labour. The Group fully complies with the Labour Contract Law of the PRC and strictly emphasises on the prohibition of child labour and forced labour.

The age of the employees is verified by inspecting their identification documents. Individuals under the age of 18 or without any identification documents are disqualified from employment. Besides, all work should be voluntarily performed and shall not involve forced labour. Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately. The Board will discuss and review the problem to prevent it from happening again.

During the reporting period, the Group was not aware of any non-compliance with relevant rules and regulations on preventing child or forced labour.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATING PRACTICES

### ASPECT B5: SUPPLY CHAIN MANAGEMENT

In order to reinforce the collaborative relationship with strategic suppliers, create competitive advantage in the value chain and bring positive impact to the society and environment, the Group is committed to establishing a comprehensive vertical supply chain management system. The supply chain management system, including supplier screening and management, can ensure that supplier performance meets the Group's requirements. The management system is crucial for the Group to build long-term and stable strategic partnership with our suppliers.

### ASPECT B6: PRODUCT RESPONSIBILITY

The Group regards product quality as one of the key competitive advantages of its business. We always seek opportunities to improve the product quality by conducting conference meetings to discuss product improvement and ensure customer satisfaction. The Group has ISO 9001 quality management system demonstrating our commitment to quality and our capability to satisfy customer's requirements. The Group also has ISO 2000 international standards for IT service management showing our commitment to provide quality service to customers.

The Group is committed to protecting the confidentiality of the personal data and privacy of our customers. Customer data is kept confidential and restricted to authorised person. We convey clearly to our employees the Group's requirement and request employees to sign an agreement and fully abide by the guidance on prohibiting any unauthorised accessing or disclosure of confidential information. Employee who violate the agreement will be subject to disciplinary actions as defined in Staff Handbook.

During the reporting period, the Group did not receive any complaint regarding product responsibility.

### ASPECT B7: ANTI-CORRUPTION

The Group believes the business ethics and integrity are the foundation of corporate social responsibility, as well as the fundamental elements of enterprises' competitive advantage and sustainability. Hence, the Group has no tolerance in any form of corruption, bribery, extortion, fraudulent behavior and money laundering. Upon proven misconduct case, the employee will be subject to disciplinary action and reported to the police and related governing body when necessary.

The Group is in strict compliance with the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the PRC and other applicable laws and regulations. During the reporting period, no legal case concerned with corrupt practices was brought against the Group.

## COMMUNITY

### ASPECT B8: COMMUNITY INVESTMENT

Being a responsible corporate citizen, we are constantly aware of the community needs and take up our corporate responsibility to make contribution to the society. The Group is committed to providing career opportunities to the locals and promoting the development of community's economy. Meanwhile, the Group is eager to look for other opportunities to contribute to the community.

<sup>11</sup> Percentage of employees trained refers to total number of trained employee of the gender group per the total number of employees of the corresponding gender group at the end of the year. 9 Percentage of employees trained refers to total number.

<sup>12</sup> Percentage of employees trained refers to total number of trained employee of the corresponding employee category per the total number of employees of the corresponding employment category at the end of the year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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<b>A. Environmental</b>			
A1: Emissions			
General Disclosure		“Environmental Aspects”	26
KPI A1.1	The types of emissions and respective emissions data	“Emissions – Air Pollutant Emission”	27
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	“Emissions-Greenhouse Gas Emission”	27
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not applicable to the Group’s business.	28
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	No significant amount of non-hazardous waste was generated.	28
KPI A1.5	Description of measures to mitigate emissions and results achieved	“Emissions-Greenhouse Gas Emission”	27
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	“Emissions-Hazardous and Non-hazardous Wastes”	28
A2: Use of Resources			
General Disclosure		“Use of Resources”	28
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	“Use of Resources-Energy”	28
KPI A2.2	Water consumption in total and intensity	Not feasible for the Group to obtain the data.	29
KPI A2.3	Description of energy use efficiency initiatives and results achieved	“Use of Resources-Energy”	28
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	“Use of Resources-Water”	29
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable to the Group’s business.	–
A3: The Environment and Natural Resources			
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KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	“The Environment and Natural Resources”	29

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
B1: Employment			
General Disclosure		"Employment"	30-31
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	"Employment"	30-31
KPI B1.2	Employee turnover rate by gender, age group and geographical region	–	–
B2: Health and safety			
General Disclosure		"Health and Safety"	31
KPI B2.1	Number and rate of work-related fatalities	No case of work-related fatality was noted.	–
KPI B2.2	Lost days due to work injury	No case of lost days due to work injury was noted.	–
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	"Health and Safety"	31
B3: Development and Training			
General Disclosure		"Development and Training"	32
KPI B3.1	The percentage of employee trained by gender and employee category	"Development and Training"	32
KPI B3.2	The average training hours completed per employee by gender and employee category	"Development and Training"	32
B4: Labour Standards			
General Disclosure		"Labour Standards"	32
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	"Labour Standards"	32
KPI B4.2	Description of steps taken to eliminate such practices when discovered	"Labour Standards"	32
<b>Operating Practices</b>			
B5: Supply Chain Management			
General Disclosure		"Supply Chain Management"	33
KPI B5.1	Number of suppliers by geographical region	"Supply Chain Management"	33



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Page
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	–	–
B6: Product Responsibility			
General Disclosure		“Product Responsibility”	33
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No complaint regarding product responsibility was noted.	–
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	–	–
KPI B6.4	Description of quality assurance process and recall procedures	–	–
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	“Product Responsibility”	33
B7: Anti-corruption			
General Disclosure		“Anti-corruption”	33
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	No concluded legal case regarding corrupt practices was noted.	–
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	–	–
<b>Community</b>			
B8: Community Investment			
General Disclosure		“Community Investment”	33
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	–	33
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	–	–

# DIRECTORS' REPORT

The Board of Directors has pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 14 to the consolidated financial statements.

## BUSINESS REVIEW

"Management Discussion and Analysis" on pages 7 to 10 and "Five-Year Summary and Key Financial Ratios" on pages 11 to 12 form part of this Directors' report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed "Environmental, Social and Governance Report" on pages 23 to 36.

## Principal Risks and Uncertainties Facing the Company

The Group's business and profitability growth in the year under review was affected by the volatility and uncertainty of macro-economic conditions in the PRC and Hong Kong.

The Group's business is also exposure to credit, liquidity, interest rate, foreign currency and equity price risks. An analysis of the Group's financial risk management is provided in note 30 to the financial statements.

## Environmental Policies and Performance

The Group recognise its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable from our operational activities in order to minimise these impacts if possible.

## Compliance with the Relevant Laws and Regulations

During the year ended 31 December 2018 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on our business and operation.

## Key Relationships with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2018, there was no material and significant dispute between the Group and its employees, customers and suppliers.

## FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 50 to 136.

# DIRECTORS' REPORT

## DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 22 May 2019 ("2019 AGM"), the register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 16 May 2019.

## DISTRIBUTABLE RESERVES

At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB80,420,000 (2017: RMB202,437,000).

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 25 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 11 and 12 of this report.

### CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2017: Nil).

### FIXED ASSETS

Details of movements in fixed assets are set out in note 12 to the consolidated financial statements.

### DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

#### Executive Directors

Mr. Lam Kai Tai ( <i>Chairman</i> )	
Mr. Li Jiang Nan	(resigned on 1 June 2018)
Ms. Fan Carol	(resigned on 27 June 2018)
Mr. Bai Xuefei	(appointed on 1 June 2018)

#### Independent Non-executive Directors

Ms. Hu Gin Ing  
Mr. Liu Jian  
Mr. Li Wai Kwan

In accordance with the Article 86(3) of the Articles, Mr. Bai Xuefei, being a Director appointed after the 2018 annual general meeting of the Company, shall retire from office as Director and, being eligible, offers himself for re-election at the 2019 AGM.

In accordance with Article 87 of the Articles, Ms. Hu Gin Ing and Mr. Li Wai Kwan shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the 2019 AGM.

## DIRECTORS' REPORT

### DIRECTORS' SERVICE CONTRACTS

Mr. Lam Kai Tai, chairman of the Board and an executive Director, did not enter into any service contract with the Company. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Bai Xuefei, an executive Director, entered into a service contract with the Company on 1 June 2018 and the term of the service contract is for a period of three years commencing from 1 June 2018. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Ms. Hu Gin Ing, an independent non-executive Director, signed an appointment letter issued by the Company on 11 March 2011 for an initial term of one year commenced on 12 March 2011, which was automatically renewable for successive term of one year upon the expiry of the said term. The terms of appointment of Ms. Hu expired in year 2013, and thereafter she is not appointed for a specific term. Ms. Hu is subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Liu Jian, an independent non-executive Director, entered into a service agreement with the Company on 19 January 2017 for a term of three years commencing from 19 January 2017. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Li Wai Kwan, an independent non-executive Director, entered into a service contract with the Company on 27 April 2017 and the term of the service contract is for a period of three years commencing from 27 April 2017. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

None of the Directors who are proposed for re-election at the 2019 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### CONFIRMATION OF INDEPENDENCE

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

### EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out below, other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year are set out in the subsection headed "Capital Structure" under section headed "Management Discussion and Analysis" and also note 25 to the consolidated financial statements.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") at the annual general meeting of the Company held on 26 May 2016. The purpose of the Scheme is to enable the Company to grant options to directors, employees, suppliers, customers, consultants, agents and advisers of the Company and the subsidiaries and any person who, in the sole discretion of the Board, has contributed or may contribute to the Group in recognition of their contribution to the Group. The Company has not granted any option since the adoption of the Scheme.

The principal terms of the Scheme are summarised as follows:

1. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not exceed 10% of the issued shares of the Company as at 26 May 2016, being the date of approval of the Scheme, which is 417,924,982 shares (the "Scheme Limit") and such limit might be refreshed by shareholders at general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

On 29 June 2016, shareholders of the Company have passed a resolution approving the share consolidation of every ten (10) issued and unissued shares of par value of HK\$0.01 each into one (1) consolidated share of par value of HK\$0.10 each ("Share Consolidation") at the extraordinary general meeting of the Company. Upon the Share Consolidation becoming effective on 30 June 2016, the Scheme Limit has been adjusted to 41,792,498 shares.

As at the date of this report, the total number of shares available for issue under the Scheme is 41,792,498 shares, representing approximately 7.94% of the issued shares of the Company.

2. Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.
3. There was no requirement for a grantee to hold the option for a minimum period from the date of grant before any option granted under the Scheme can be exercised.
4. The subscription price shall be determined by the Board in its absolute discretion but in any event shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.
5. An option may be exercised at any time during a period to be determined and notified by the Directors to each Grantee and such period shall not exceed the period of 10 years from the date of grant.
6. The offer of a grant of options may be accepted within 28 days after the date of making the offer and the grantee shall pay HK\$1.00 to the Company by the way of consideration for the grant.
7. Subject to earlier termination by the Company at general meeting, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 May 2016.

Details of the Scheme are set out in the circular of the Company dated 25 April 2016.

# DIRECTORS' REPORT

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

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

## **MANAGEMENT CONTRACTS**

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

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

As at 31 December 2018, none of the Directors' or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## **SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES**

As at 31 December 2018, so far as is known to any Director or chief executive of the Company, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:



## AGGREGATE INTEREST OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of shares held/ Percentage in total number of issued shares
China Taiping Insurance Holdings Company Limited ("China Taiping") (Note 1)	Interest of controlled corporations	Long position	208,986,168 (39.69%)
	Person having a security interest in shares	Long position	203,854,292 (38.72%)
Taiping Financial Holdings Company Limited (Note 1)	Beneficial owner	Long position	208,986,168 (39.69%)
	Person having a security interest in shares	Long position	203,854,292 (38.72%)
China Insurance Group Finance Company Limited ("China Insurance") (Note 1)	Person having a security interest in shares	Long position	203,854,292 (38.72%)
King Pak Fu ("Mr. King") (Note 2)	Interest of controlled corporations	Long position	305,329,792 (57.99%)
		Short position	203,854,292 (38.72%)
Luck Success Development Limited ("Luck Success") (Note 2)	Beneficial owner	Long position	186,672,292 (35.45%)
		Short position	186,672,292 (35.45%)
Sino Wealthy Limited ("Sino Wealthy") (Note 2)	Beneficial owner	Long position	39,682,000 (7.54%)
		Short position	17,182,000 (3.26%)
Rentian Technology Holdings Limited ("Rentian") (Note 2)	Interest of controlled corporations	Long position	226,354,292 (42.99%)
		Short position	203,854,292 (38.72%)

Notes:

- China Insurance is wholly-owned by Taiping Financial Holdings Company Limited ("Taiping Financial"), which in turn is wholly-owned by China Taiping. Therefore, China Taiping is deemed to be interested in the Shares held by Taiping Financial and China Insurance pursuant to the SFO.
- Mr. King is deemed to be interested in (i) 60,435,500 Shares held through Affluent Start Holdings Investment Limited ("Affluent Start"); (ii) 4,000,000 Shares held through Mystery Idea Limited ("Mystery Idea"); (iii) 11,540,000 Shares held through Elite Mile Investments Limited ("Elite Mile"); (iv) long position and short positions in the Shares held through Sino Wealthy; and (v) long position and short positions in the Shares held through Luck Success pursuant to the SFO. Each of Affluent Start, Mystery Idea and Elite Mile is wholly-owned by Mr. King. Sino Wealthy is wholly-owned by Bremwood Holdings Limited, both of Bremwood Holdings Limited and Luck Success are wholly-owned by Gauteng Focus Limited, which is wholly-owned by Rentian, the latter is indirectly owned as to 55.97% by Mr. King as at 31 December 2018.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2018.

# DIRECTORS' REPORT

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

## SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2018 are set out in note 14 to the consolidated financial statements.

## BORROWINGS

Particulars of borrowings of the Group as at 31 December 2018 are set out in note 23 to the consolidated financial statements.

## DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2018 are set out in note 8 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

## MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 57% in value of total purchases during the year ended 31 December 2018, while contracts with the Group's largest supplier by value, accounted for 23% in value of total purchases during the year ended 31 December 2018. Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover during the year ended 31 December 2018.

Save as disclosed above, none of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

## HUMAN RESOURCES AND STAFF REMUNERATION

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2018, total staff costs for the year was approximately RMB31,709,000, of which contributions to defined contribution retirement schemes were approximately RMB1,619,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

The Company's subsidiaries in the PRC provide retirement, medical, employment injury, unemployment and maternity benefits to its employees in accordance with a state-managed social welfare scheme operated by the local government of the PRC, and the relevant PRC rules and regulations. At the same time, the employees of the Company's subsidiaries in the PRC are members of a long-term dormitory provident fund scheme operated by the local government of the PRC. According to the scheme, the Group provides dormitory provident fund to the employees in the PRC in accordance with the relevant PRC rules and regulations.

Certain executive Directors and members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is any change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

### **PUBLIC FLOAT**

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

### **AUDIT COMMITTEE**

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, Ms. Hu Gin Ing (chairlady), Mr. Liu Jian and Mr. Li Wai Kwan.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2018.

### **AUDITORS**

HLB Hodgson Impey Cheng Limited have acted as auditors of the Company for the year ended 31 December 2018. The Company has not changed its external auditor during the past three years.

A resolution will be submitted to the 2019 AGM to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board

**Enterprise Development Holdings Limited**

**Lam Kai Tai**

*Chairman*

Hong Kong, 28 March 2019



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## **TO THE SHAREHOLDERS OF ENTERPRISE DEVELOPMENT HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of Enterprise Development Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 50 to 136, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the IASB. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Key audit matter

## How our audit addressed the key audit matter

### Impairment assessment of goodwill

Goodwill from acquisition of software business on acquisition date is subject to annual impairment review. Management has performed an impairment assessment in accordance with its accounting policies. The Group engaged an independent professional valuer to assess the recoverable amounts of cash-generating units. The carrying amount of goodwill of software business amount to approximately RMB19,541,000 as at 31 December 2018.

We focused on this area due to significance of the amount recognised in the consolidated financial statements of the Group; and the level of the objectivity associated with the assumptions used in estimating the value-in-use of the CGUs, including the cash flow forecasts, the growth rates used to extrapolate the cash flows and the discount rates applied.

The accounting policies and disclosures for the goodwill are included in notes 1, 2 and 15 to the consolidated financial statements.

Our audit procedures included:

- Evaluating the assumptions and methodologies used by the Group in performing the impairment assessment, in particular those relating cash flow forecasts, the growth rates used to extrapolate the cash flows and the discount rates applied.
- Evaluating the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historic evidence supporting underlying assumptions.
- Engaging our independent expert to assist us in assessing the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data.
- Reviewing management's sensitivity and testing independently those assumptions to which the outcome of the impairment test is most sensitive.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement director on the audit resulting in this independent auditors' report is Mr. Hui Chun Keung, David.

**HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

**Hui Chun Keung, David**

Practising Certificate Number: P05447

Hong Kong, 28 March 2019



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
<b>Continuing operations</b>			
Turnover	3	149,091	291,207
Cost of sales		(124,958)	(255,282)
Gross profit		24,133	35,925
Other income and gains	5	16,698	1,760
Distribution expenses		(26,319)	(22,090)
General and administrative expenses		(53,161)	(25,374)
Other operating expenses		(6)	(20)
Impairment loss on amount due from an associate		-	(12,057)
Loss from operations		(38,655)	(21,856)
Share of results of an associate		-	(64,516)
Finance costs	6(i)(a)	(1,775)	(1,724)
Loss before taxation	6	(40,430)	(88,096)
Income tax credit/(expense)	7	1,375	(3,784)
<b>Loss for the year from continuing operations</b>		<b>(39,055)</b>	<b>(91,880)</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	4	-	(5,832)
<b>Loss for the year</b>		<b>(39,055)</b>	<b>(97,712)</b>
<b>Attributable to:</b>			
Equity shareholders of the Company			
Continuing operations		(25,001)	(96,354)
Discontinued operations		-	(5,832)
		(25,001)	(102,186)
Non-controlling interests			
Continuing operations		(14,054)	4,474
		(14,054)	4,474
<b>Loss for the year</b>		<b>(39,055)</b>	<b>(97,712)</b>
<b>Basic and diluted losses per share (RMB)</b>			
	11		
Continued operations		(0.047)	(0.187)
Discontinued operations		-	(0.011)

The notes on pages 57 to 136 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018



	2018 RMB'000	2017 RMB'000
Loss for the year	(39,055)	(97,712)
<b>Other comprehensive expenses for the year (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification adjustment for exchange reserve released upon disposal of subsidiaries	(7,589)	(3,477)
Share of exchange difference of an associate	-	4
Exchange difference on translation of financial statements of overseas operations	3,971	(613)
<b>Total comprehensive expenses for the year</b>	<b>(42,673)</b>	<b>(101,798)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	(28,694)	(106,204)
Non-controlling interests	(13,979)	4,406
<b>Total comprehensive expenses for the year</b>	<b>(42,673)</b>	<b>(101,798)</b>

The notes on pages 57 to 136 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	851	560
Intangible assets	13	21,011	18,107
Goodwill	15	19,541	19,541
Interests in an associate	16	–	–
Deferred tax assets	24	346	346
		<b>41,749</b>	38,554
<b>Current assets</b>			
Inventories	17	937	1,355
Contract assets	18	14,387	–
Trade and other receivables	19	148,679	194,777
Trading securities	20	–	–
Pledged bank deposits	21	174	277
Cash and cash equivalents	21	96,446	122,971
		<b>260,623</b>	319,380
<b>Current liabilities</b>			
Trade and other payables	22	13,209	35,249
Contract liabilities	18	11,133	–
Borrowings	23	28,390	27,742
Current taxation	7	4,194	5,363
		<b>56,926</b>	68,354
<b>Net current assets</b>		<b>203,697</b>	251,026
<b>Total assets less current liabilities</b>		<b>245,446</b>	289,580
<b>Net assets</b>		<b>245,446</b>	289,580

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018



	Notes	2018 RMB'000	2017 RMB'000
<b>Capital and reserves</b>			
Share capital	25(a)	44,711	44,711
Reserves	25(b)	106,788	136,359
<b>Total equity attributable to equity shareholders of the Company</b>			
		151,499	181,070
<b>Non-controlling interests</b>			
		93,947	108,510
<b>Total equity</b>			
		245,446	289,580

Approved and authorised for issue by the Board of Directors on 28 March 2019.

**Lam Kai Tai**  
Director

**Bai Xuefei**  
Director

The notes on pages 57 to 136 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity shareholders of the Company							Non-controlling Interests	Total equity
	Share capital	Share premium	Other reserve	PRC statutory reserve	Exchange reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	25(a)	25(b)(i)		25(b)(ii)	25(b)(iii)				
<b>Balance at 1 January 2017</b>	42,528	506,417	(8,440)	7,473	27,231	(317,624)	257,585	94,354	351,939
<b>Change in equity for 2017</b>									
(Loss)/profit for the year	-	-	-	-	-	(102,186)	(102,186)	4,474	(97,712)
Other comprehensive expenses	-	-	-	-	(4,018)	-	(4,018)	(68)	(4,086)
Total comprehensive (expenses)/income for the year	-	-	-	-	(4,018)	(102,186)	(106,204)	4,406	(101,798)
Shares issued by way of placing	2,183	24,671	-	-	-	-	26,854	-	26,854
Shares issue expenses	-	(642)	-	-	-	-	(642)	-	(642)
Transfer from accumulated losses	-	-	-	1,010	-	(1,010)	-	-	-
Disposal of subsidiaries	-	-	-	-	3,477	-	3,477	-	3,477
Capital injection from non-controlling interests	-	-	-	-	-	-	-	9,750	9,750
<b>Balance at 31 December 2017 and 1 January 2018</b>	44,711	530,446	(8,440)	8,483	26,690	(420,820)	181,070	108,510	289,580
Impact on initial application of IFRS 9	-	-	-	-	-	(877)	(877)	(584)	(1,461)
<b>Adjusted balance at 1 January 2018</b>	44,711	530,446	(8,440)	8,483	26,690	(421,697)	180,193	107,926	288,119
<b>Change in equity for 2018</b>									
Loss for the year	-	-	-	-	-	(25,001)	(25,001)	(14,054)	(39,055)
Disposal of subsidiaries	-	-	-	-	(7,589)	-	(7,589)	-	(7,589)
Other comprehensive income	-	-	-	-	3,896	-	3,896	75	3,971
Total comprehensive expenses for the year	-	-	-	-	(3,693)	(25,001)	(28,694)	(13,979)	(42,673)
<b>Balance at 31 December 2018</b>	<b>44,711</b>	<b>530,446</b>	<b>(8,440)</b>	<b>8,483</b>	<b>22,997</b>	<b>(446,698)</b>	<b>151,499</b>	<b>93,947</b>	<b>245,446</b>

The notes on pages 57 to 136 form part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018



Notes	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
<b>Operating activities</b>		
Loss for the year	<b>(39,055)</b>	(97,712)
Adjustments for:		
– Income tax (credit)/expense	<b>(1,375)</b>	3,784
– Depreciation	<b>808</b>	1,192
– Amortisation of intangible assets	<b>1,802</b>	775
– Impairment loss on amount due from an associate	–	12,057
– Impairment loss on goodwill	–	8,714
– Loss allowance on contract assets	<b>134</b>	–
– Loss allowance on trade and other receivables	<b>17,284</b>	67
– Interest income	<b>(70)</b>	(99)
– Interest income from loan to an associate	–	(1,249)
– Net loss on disposal of property, plant and equipment	<b>55</b>	1,005
– Gain on disposal of subsidiaries	<b>(16,078)</b>	(4,294)
– Finance costs	<b>1,775</b>	1,737
– Share of results of an associate	–	64,516
Changes in working capital:		
Decrease in inventories	<b>418</b>	1,115
Decrease in trading securities	–	42,686
Decrease in trade and other receivables	<b>26,582</b>	12,628
Increase in contract assets	<b>(14,521)</b>	–
Increase in contract liabilities	<b>11,133</b>	–
Decrease in trade and other payables	<b>(13,473)</b>	(39,336)
<b>Cash (used in)/generated from operations</b>	<b>(24,581)</b>	7,586
Finance costs paid	–	(2)
Tax paid:		
– Hong Kong Profits Tax paid	–	(452)
– PRC income taxes paid	<b>(483)</b>	(4,060)
– PRC income taxes refunded	<b>689</b>	–
<b>Net cash (used in)/generated from operating activities</b>	<b>(24,375)</b>	3,072



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(1,260)	(442)
Capital injection from non-controlling interests		-	9,750
Disposal of subsidiaries, net of cash disposed of		-	(398)
Payment for intangible assets		(4,706)	(9,274)
Proceeds from disposal of property, plant and equipment		71	113
Decrease in pledged bank deposits		103	4,936
Interest received		70	99
<b>Net cash (used in)/generated from investing activities</b>		<b>(5,722)</b>	4,784
<b>Financing activities</b>			
Proceeds from new borrowings		26,420	26,615
Repayment of borrowings		(26,000)	(28,755)
Finance costs paid		(1,775)	(1,735)
Proceeds from issue of new shares		-	26,854
Payment of transaction costs on issue of new shares		-	(642)
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,355)</b>	22,337
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(31,452)</b>	30,193
<b>Cash and cash equivalents at 1 January</b>		<b>122,971</b>	97,120
<b>Effect of foreign exchange rate changes</b>		<b>4,927</b>	(4,342)
<b>Cash and cash equivalents at 31 December</b>	21	<b>96,446</b>	122,971

The notes on pages 57 to 136 form part of these consolidated financial statements.





## 1. SIGNIFICANT ACCOUNTING POLICIES

Enterprise Development Holdings Limited (the “Company”) is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 January 2007.

As at 31 December 2018, the holding company of the Company is Luck Success Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of Rentian Technology Holdings Limited (“Rentian”). The directors of the Company consider the ultimate holding company of the Company to be Rentian, a company incorporated in Cayman Islands with limited liability and its shares are listed on the Stock Exchange.

### (a) Statement of compliance

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). A summary of significant accounting policies adopted by the Company and its subsidiaries (together referred to as the “Group”) are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries and the Group’s interest in an associate. The consolidated financial statements are presented in Renminbi (RMB), and rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as trading securities (see note 1(g)) are stated at their fair value as explained in the accounting policies.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Basis of preparation of the financial statements (cont'd)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

### (c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRIC 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9 and did not have any material impact on the consolidated financial statements.

The adoption of IFRIC 22 does not have a material effect on the financial position and the financial result of the Group.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on accumulated losses and non-controlling interests at 1 January 2018.

	RMB'000
<b>Accumulated losses</b>	
Recognition of additional expected credit losses on:	
— financial assets measured at amortised cost	827
— contract assets	50
	877
Net increase in accumulated losses at 1 January 2018	877
<b>Non-controlling interests</b>	
Recognition of additional expected credit losses on:	
— financial assets measured at amortised cost	551
— contract assets	33
	584
Net decrease in non-controlling interests at 1 January 2018	584

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (cont'd)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

##### a. Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017		IFRS 9 carrying amount at 1 January 2018	
	RMB'000	Reclassification RMB'000	Remeasurement RMB'000	RMB'000
<b>Financial assets carried at amortised cost</b>				
Trade and other receivables (note (i))	194,777	(12,792)	(1,461)	180,524
Pledged bank deposits	277	-	-	277
Cash and cash equivalents	122,971	-	-	122,971
	318,025	(12,792)	(1,461)	303,772

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in notes 1(k), (n), (q) and (r).

Notes:

- (i) Trade and other receivables of approximately RMB12,792,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15 (see note 1(c)(ii)).



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (cont'd)

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

#### b. Credit losses

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, trade and other receivables);
- contract assets as defined in IFRS 15 (see note 1(q));

For further details on the Group’s accounting policy for accounting for credit losses, see note 1(k).

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	139
Additional credit loss recognised at 1 January 2018 on:	
— Trade receivables	1,268
— Deposits and other receivables (included in trade and other receivables)	110
— Contract assets	83
Loss allowance at 1 January 2018 under IFRS 9	1,600



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (i) **IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (cont'd)**

##### c. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated losses and non-controlling interests as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group) for the determination of the business model within which a financial asset is held.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (ii) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to IFRS 15 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

#### a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (ii) IFRS 15, Revenue from contracts with customers (cont'd)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and provision of services and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

#### b. Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and provision of services and this change in accounting policy had no material impact on opening balance as at 1 January 2018.

#### c. Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(v)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 1(q)).





## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (ii) IFRS 15, Revenue from contracts with customers (cont'd)

##### c. Presentation of contract assets and liabilities (cont'd)

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

- (i) "Trade receivables" amounting to approximately RMB12,792,000 respectively, which was previously included in trade receivables (note 19) are now included under contract assets (note 18); and
  - (ii) "Advance receipts from customers" amounting to approximately RMB8,794,000, which was previously included in non-trade payables and accrued expenses (note 22) are now included under contract liabilities (note 18).
- d. Disclosure of the estimated impact on the amounts reported in respect of the year ended and as at 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018

	Amounts reported in accordance with IFRS 15 (A) RMB'000	Hypothetical amounts under IAS 18 (B) RMB'000	Difference: Estimated impact of adoption of IFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Contract assets	14,387	–	14,387
Trade and other receivables	148,679	163,066	(14,387)
Contract liabilities	(11,133)	–	(11,133)
Trade and other payables	(13,209)	(24,342)	11,133
Line items in the reconciliation of loss before taxation to cash generated from operations for year ended 31 December 2018 impacted by the adoption of IFRS 15:			
Increase in contract assets	(14,521)	–	(14,521)
Decrease in trade and other receivables	26,582	12,195	14,387
Increase in contract liabilities	11,133	–	11,133
Decrease in trade and other payables	(13,473)	(2,340)	(11,133)

The differences arise as a result of the changes in accounting policies described above.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Changes in accounting policies (cont'd)

#### (iii) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(o), (p), (q) or (t) depending on the nature of the liability.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Subsidiaries and non-controlling interests (cont'd)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)).

### (e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)). Any acquisition-date excess over cost, the Group's share of the post acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Associates (cont'd)

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

### (f) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and an associate, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(f). These investments are subsequently accounted for as follows, depending on their classification.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Other investments in equity securities (cont'd)

#### (A) Policy applicable from 1 January 2018

##### Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(v)(v).

#### (B) Policy applicable prior to 1 January 2018

The Group's policies for investments in equity securities, other than investments in subsidiaries and an associate, are as follows:

Investments in equity securities were initially stated at fair value, which was their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value was evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost included attributable transaction costs, except where indicated otherwise below. These investments were subsequently accounted for as follows, depending on their classification.

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss did not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(v).

Investments in equity securities which did not fall into any of the above categories were classified as available-for-sale securities. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from equity securities using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(v)(v) and (vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities were also recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Other investments in equity securities (cont'd)

(B) Policy applicable prior to 1 January 2018 (cont'd)

When the investments were derecognised or impaired (see note 1(k)(i)), the cumulative gain or loss recognised in equity was reclassified to profit or loss. Investments were recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

### (h) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Machinery, equipment and tools	5-20 years
— Motor vehicles and other fixed assets	2-8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Intangible assets (other than goodwill) (cont'd)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except for customer contracts, which are amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Firewall patents	10 years
— Software patents	10 years
— Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

### (j) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Credit losses and impairment of assets

(A) Policy applicable from 1 January 2018

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposit, trade and other receivables);
- contract assets as defined in IFRS 15 (see note 1(q));

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and





## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Credit losses and impairment of assets (cont'd)

#### (A) Policy applicable from 1 January 2018 (cont'd)

##### Measurement of ECLs (cont'd)

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments including loan receivables, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

##### Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 365 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Credit losses and impairment of assets (cont'd)

#### (A) Policy applicable from 1 January 2018 (cont'd)

Significant increases in credit risk (cont'd)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets Interest income recognised in accordance with note 1(v)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Credit losses and impairment of assets (cont'd)

#### (B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an “incurred loss” model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

if any such evidence existed, an impairment loss was determined and recognised as follows:

- For investments in an associate accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset here the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Credit losses and impairment of assets (cont'd)

#### (B) Policy applicable prior to 1 January 2018 (cont'd)

- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

### (l) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill;
- associates; and
- investments in subsidiaries in the Company's statement of financial position.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Impairment of other non-current assets (cont'd)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

#### — Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### — Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal, if measurable or value in use, if determinable.

#### — Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Inventories (cont'd)

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(q)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

### (o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

### (p) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(v)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(k)(i)).

Policy prior to 1 January 2018

In the comparative period, amounts received before the related goods were provided were presented as “advance receipts from customers” under “non-trade payables and accrued expenses”. These balances have been reclassified on 1 January 2018 as shown in note 22 (see note 1(c)(ii)).

### (r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(k)(A)(i)).

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (s) Employee benefits

- (i) Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

### (t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.





## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (t) Income tax (cont'd)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- In the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) Sales of goods

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

In the comparative period, revenue is recognised when goods was delivered at the customers' premises which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. There is no impact to opening balance as at 1 January 2018 (see note 1(c)(ii)).



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (v) Revenue and other income (cont'd)

#### (ii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract. The deferred revenue is included in contract liabilities.

#### (iii) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customers; the customer has accepted the products and collectability of the related receivables is reasonably assured.

#### (iv) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

#### (v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

#### (vi) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

### (w) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (w) Translation of foreign currencies (cont'd)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of operations outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (y) Discontinued operations

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

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



## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (y) Discontinued operations (cont'd)

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

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

### (z) Related parties

For the purposes of the consolidated financial statements:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (z) Related parties (cont'd)

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

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

### (aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors (the "Board") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



## 2. ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

### Sources of estimation uncertainty

#### (a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of market conditions. Management reassess the estimation at the end of each reporting period.

#### (b) Loss allowance of trade and other receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivable and thus the loss allowance in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during the expected lives.

#### (c) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## 2. ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

### (d) Impairment for non-current assets

The management determines the impairment loss on assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell and the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 3. TURNOVER AND SEGMENT REPORTING

### (a) Turnover

The principal activities of the Group are the provision of integrated business software solutions and trading of listed securities (note 3(b)). During the year ended 31 December 2017, the Group identified its mobile marketing business as discontinued operations upon disposal of Apex Center Limited and its subsidiaries ("Apex Group") on 7 November 2017, which is further disclosed in note 4.

The amount of each significant category of revenue recognised during the year is as follows:

	2018 RMB'000	2017 RMB'000
<b>Continuing operations</b>		
Software maintenance and other services	132,260	279,648
Sale of software products and others	15,505	29,001
Net realised and unrealised losses on trading securities	–	(18,062)
Others	1,326	620
	<b>149,091</b>	291,207
<b>Discontinued operations</b>		
Mobile marketing business	–	9,395
	<b>149,091</b>	300,602





## 3. TURNOVER AND SEGMENT REPORTING (CONT'D)

### (a) Turnover (cont'd)

**Disaggregation of revenue from contract with customers by major products and services and timing of revenue recognition from continuing operations is as follows:**

	2018 RMB'000	2017 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products and services		
Software business:		
Software maintenance and other services	132,260	279,648
Sales of software products and others	15,505	29,001
<b>Revenue/(loss) from other sources</b>		
Others	1,326	620
Net realised and unrealised losses on trading securities	-	(18,062)
	<b>149,091</b>	291,207
<b>Timing of revenue recognition</b>		
At a point in time	15,505	10,939
Over time	133,586	280,268
	<b>149,091</b>	291,207

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 3(c).

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB76,755,000, and the Group will recognise these revenue from 2019 to 2023.

### (b) Segment reporting

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented the following two major reportable segments on continuing operations. No operating segments have been aggregated to form the following reportable segments.

#### Continuing operations:

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong.
- Trading and investment business: Trading of securities listed on the Stock Exchange.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. TURNOVER AND SEGMENT REPORTING (cont'd)

### (b) Segment reporting (cont'd)

#### Discontinued operations:

- Mobile marketing business: Provision of mobile marketing projects, consultation, creative and technological services, mobile advertising services and creation of mobile games in the PRC and Hong Kong
- (i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment loss is "adjusted loss before taxation". Adjusted loss before taxation, the Group's losses before items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted loss before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue/(loss) generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 3. TURNOVER AND SEGMENT REPORTING (cont'd)

### (b) Segment reporting (cont'd)

#### (i) Segment results, assets and liabilities (continued)

Information regarding the Group's major reportable segments as provided to the Board for the purposes of resource allocation and assessment performance for the year ended 31 December 2018 and 2017 is set out below:

	Continuing operations								Discontinued operations			
	Trading and investment								Mobile marketing			
	Software business		business		Others		Sub-total		business		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue/(loss) from external customers	147,765	308,649	-	(18,062)	1,326	620	149,091	291,207	-	9,395	149,091	300,602
<b>Reportable segment revenue</b>	<b>147,765</b>	<b>308,649</b>	<b>-</b>	<b>(18,062)</b>	<b>1,326</b>	<b>620</b>	<b>149,091</b>	<b>291,207</b>	<b>-</b>	<b>9,395</b>	<b>149,091</b>	<b>300,602</b>
<b>Reportable segment loss (adjusted loss before taxation)</b>	<b>(36,468)</b>	<b>15,259</b>	<b>-</b>	<b>(18,122)</b>	<b>(7,503)</b>	<b>(280)</b>	<b>(43,971)</b>	<b>(3,143)</b>	<b>-</b>	<b>(5,832)</b>	<b>(43,971)</b>	<b>(8,975)</b>
Interest income from bank deposits	70	99	-	-	-	-	70	99	-	-	70	99
Interest expense	1,392	1,288	-	-	-	-	1,392	1,288	-	13	1,392	1,301
Depreciation and amortisation for the year	2,532	1,712	-	-	38	29	2,570	1,741	-	171	2,570	1,912
Impairment loss on goodwill	-	-	-	-	-	-	-	-	-	8,714	-	8,714
<b>Reportable segment assets</b>	<b>279,322</b>	<b>320,959</b>	<b>-</b>	<b>-</b>	<b>15,319</b>	<b>14,693</b>	<b>294,641</b>	<b>335,652</b>	<b>-</b>	<b>-</b>	<b>294,641</b>	<b>335,652</b>
Additions to non-current segment assets during the year	5,966	9,580	-	-	-	95	5,966	9,675	-	41	5,966	9,716
<b>Reportable segment liabilities</b>	<b>50,946</b>	<b>53,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>673</b>	<b>50,946</b>	<b>54,022</b>	<b>-</b>	<b>-</b>	<b>50,946</b>	<b>54,022</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. TURNOVER AND SEGMENT REPORTING (cont'd)

### (b) Segment reporting (cont'd)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2018 RMB'000	2017 RMB'000
<b>Revenue</b>		
Reportable segment revenue	149,091	300,602
Elimination on discontinued operations	-	(9,395)
<b>Consolidated revenue from continuing operations</b>	<b>149,091</b>	291,207
<b>Loss before taxation</b>		
Reportable segment loss	(43,971)	(8,975)
Unallocated head office and corporate income/(expenses)	3,541	(84,953)
Elimination on discontinued operations	-	5,832
<b>Consolidated loss before taxation from continuing operations</b>	<b>(40,430)</b>	(88,096)
<b>Assets</b>		
Reportable segment assets	294,641	335,652
Deferred tax assets	346	346
Unallocated head office and corporate assets	7,385	21,936
<b>Consolidated total assets</b>	<b>302,372</b>	357,934
<b>Liabilities</b>		
Reportable segment liabilities	50,946	54,022
Unallocated head office and corporate liabilities	5,980	14,332
<b>Consolidated total liabilities</b>	<b>56,926</b>	68,354



## 3. TURNOVER AND SEGMENT REPORTING (cont'd)

### (c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue/(loss) from continuing operations from external customers; and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenue/(loss) from external customers		Specified non-current assets	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
PRC	147,765	308,649	41,337	38,059
Hong Kong	1,326	(17,442)	66	149
	<b>149,091</b>	291,207	<b>41,403</b>	38,208

For the year ended 31 December 2018, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2017: Nil).

## 4. DISCONTINUED OPERATIONS

On 7 November 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in the Apex Group, which carried out all of the Group's mobile marketing business, for a cash consideration of HK\$1. The disposal has been completed on the same day.

The loss for the year from the discontinued mobile marketing operation is set out below:

	Period from 1 January 2017 to 7 November 2017 RMB'000
Loss of mobile marketing business for the period	(10,126)
Gain on disposal of mobile marketing business (note 26)	4,294
	<b>(5,832)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. DISCONTINUED OPERATIONS (cont'd)

The results of the mobile marketing business for the period from 1 January 2017 to 7 November 2017, which have been included in the consolidated statement of profit or loss and other comprehensive income and statement of profit or loss, are as follows:

	Period from 1 January 2017 to 7 November 2017 RMB'000
Turnover	9,395
Cost of sales	(4,608)
Gross profit	4,787
Other income and gains	5
Distribution expenses	(430)
General and administrative expenses	(5,761)
Impairment loss on goodwill	(8,714)
Loss from operations	(10,113)
Finance costs (note 6(ii)(a))	(13)
Loss before taxation (note 6(ii))	(10,126)
Income tax expense	–
Loss for the period from discontinued operations	(10,126)

Cash flows generated from discontinued operations is as follows:

	Period from 1 January 2017 to 7 November 2017 RMB'000
Net cash generated from operating activities	508
Net cash generated from investing activities	72
Net cash used in financing activities	(282)
Net increase in cash and cash equivalents of the discontinued operations	298

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 5. OTHER INCOME AND GAINS

	2018 RMB'000	2017 RMB'000
<b>Continuing operations</b>		
Interest income from bank deposits	70	99
Interest income from amount due from an associate	–	1,249
Gain on disposal of subsidiaries	16,078	–
Gain on disposal on financial assets at fair value through profit or loss	507	387
Others	43	25
	<b>16,698</b>	1,760
<b>Discontinued operations</b>		
Gain on disposal of subsidiaries (note 26)	–	4,294
Others	–	5
	–	4,299

## 6. LOSS BEFORE TAXATION

(i) Loss before taxation from continuing operations is arrived at after charging:

### (a) Finance costs

	2018 RMB'000	2017 RMB'000
Interest expenses on bank and other borrowings	1,775	1,724

### (b) Staff costs

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	30,090	23,723
Contributions to defined contribution retirement schemes (note 28)	1,619	1,529
	<b>31,709</b>	25,252

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 6. LOSS BEFORE TAXATION (cont'd)

### (c) Other items

	2018 RMB'000	2017 RMB'000
Cost of inventories (note 17)	418	1,385
Auditors' remuneration		
– audit services	675	780
– non-audit services	551	520
Depreciation of property, plant and equipment	808	1,021
Amortisation of intangible assets	1,802	775
Loss allowance on trade and other receivables	17,284	67
Loss allowance on contract assets	134	–
Operating lease charges in respect of properties	3,986	4,364

(ii) Loss before taxation from discontinued operations taxation is arrived at after charging:

### (a) Finance costs

	2018 RMB'000	2017 RMB'000
Bank overdraft interest	–	2
Interest expenses on bank and other borrowings	–	11
	–	13

### (b) Staff costs

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	–	7,181
Contributions to defined contribution retirement schemes (note 28)	–	267
	–	7,448

### (c) Other items

	2018 RMB'000	2017 RMB'000
Depreciation of property, plant and equipment	–	171
Operating lease charges in respect of properties	–	573





## 7. INCOME TAX CREDIT/(EXPENSE)

### (i) Income tax expense in the consolidated statement of profit or loss represents:

	2018 RMB'000	2017 RMB'000
<b>Continuing operations</b>		
<b>Current tax – PRC</b>		
– Provision for the year	(325)	(3,594)
– Over/(under)-provision in respect of prior year	1,700	(190)
	<b>1,375</b>	<b>(3,784)</b>

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25%.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the year ended 31 December 2018 and 2017 as it was awarded high-technology status by the tax authority.

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\$2,000,000 of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%.

For the year ended 31 December 2018, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

No provision of Hong Kong Profits Tax had been made as the Group’s has no assessable profit or has tax losses brought forward to set off assessable profit from Hong Kong for the year ended 31 December 2018 and 2017.

These tax rates were used to calculate the Group’s deferred tax assets and liabilities as at 31 December 2018 and 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 7. INCOME TAX CREDIT/(EXPENSE) (cont'd)

### (ii) Reconciliation between income tax expense and loss before taxation from continuing operations at applicable tax rates:

	2018 RMB'000	2017 RMB'000
Loss before taxation	(40,430)	(88,096)
Notional tax on profit before taxation, calculated at rate applicable to the Group's profit in the tax jurisdiction concerned (2018 and 2017: 25%)	10,107	22,024
Tax effect of different tax rates of operations in other jurisdictions	(601)	(8,938)
Effect of non-deductible expenses	(310)	(14,295)
Effect of non-taxable income	-	645
Effect of tax loss not recognised	(9,942)	(5,131)
Effect of tax concessions	421	2,101
Over/(under)-provision in respect of prior years	1,700	(190)
Actual tax credit/(expense)	1,375	(3,784)

### (iii) Taxation in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
At 1 January	5,363	6,325
Provision for income tax for the year	(1,375)	3,784
Net amounts refunded/(paid)	206	(4,512)
Disposal of a subsidiary	-	(211)
Exchange adjustments	-	(23)
At 31 December	4,194	5,363

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 8. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of directors	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
<b>Chairman</b>					
Mr. Lam Kai Tai	-	417	-	15	432
<b>Executive directors</b>					
Ms. Fan Carol (note (i))	-	625	-	9	634
Mr. Li Jiang Nan (note (g))	-	102	-	5	107
Mr Bai Xuefei (note (h))	-	118	-	6	124
<b>Independent non-executive directors</b>					
Mr. Liu Jian (note (c))	203	-	-	-	203
Mr. Li Wai Kwan (note (d))	203	-	-	-	203
Ms. Hu Gin Ing	203	-	-	-	203
Total	609	1,262	-	35	1,906

Name of directors	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2017 Total RMB'000
<b>Chairman</b>					
Mr. Lam Kai Tai	-	395	33	16	444
<b>Executive directors</b>					
Ms. Fan Carol (note (i))	-	353	-	11	364
Mr. Kwok Ho On Anthony (note (a))	-	52	26	1	79
Mr. Wong Ho Sing (note (e))	-	96	19	4	119
Mr. Li Jiang Nan (note (g))	-	208	1	11	220
<b>Independent non-executive directors</b>					
Mr. Liu Kam Lung (note (f))	87	-	17	-	104
Mr. Liu Jian (note (c))	198	-	-	-	198
Mr. Li Wan Kwan (note (d))	141	-	-	-	141
Ms. Hu Gin Ing	208	-	17	-	225
Mr. Yau Yan Ming Raymond (note (b))	17	-	17	-	34
Total	651	1,104	130	43	1,928

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. DIRECTORS' REMUNERATION (cont'd)

Notes:

- (a) Mr. Kwok Ho On Anthony resigned as an executive director with effect from 19 January 2017.
- (b) Mr. Yau Yan Ming Raymond resigned as an independent non-executive Director with effect from 19 January 2017.
- (c) Mr. Liu Jian was appointed as an executive director with effect from 19 January 2017.
- (d) Mr. Li Wai Kwan was appointed as an executive director with effect from 27 April 2017.
- (e) Mr. Wong Ho Sing resigned as an executive director with effect from 27 April 2017.
- (f) Mr. Liu Kam Lung resigned as an independent non-executive director with effect from 27 April 2017.
- (g) Mr. Li Jiang Nan resigned as an executive director with effect 1 June 2018.
- (h) Mr. Bai Xuefei was appointed as an executive director with effect from 1 June 2018.
- (i) Ms. Fan Carol was appointed as an executive director with effect from 27 April 2017 and resigned as an executive director with effect from 27 June 2018.

There were no amounts paid during the year (2017: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

## 9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2017: Nil) of them is a director. The aggregate of the emoluments in respect of the other five (2017: five) individuals are as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Basic salaries, allowances and other benefits	<b>4,255</b>	5,152
Retirement scheme contributions	<b>156</b>	123
	<b>4,411</b>	5,275
Number of senior management	<b>5</b>	5

The emoluments of the five (2017: five) individuals with the highest emoluments are within the following bands:

	<b>2018</b>	2017
	<b>Number of</b>	Number of
HKD	<b>individuals</b>	individuals
Nil-1,000,000	<b>2</b>	–
1,000,001-1,500,000	<b>3</b>	5

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2017: Nil).



## 10. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.

## 11. BASIC AND DILUTED LOSSES PER SHARE

The calculation of basic and diluted losses as per share from continuing operations for the year ended 31 December 2018 is based on the loss attributable to ordinary equity shareholders of the Company from continuing operations of approximately RMB25,001,000 (2017: approximately RMB96,354,000) and the weighted average of 526,508,982 (2017: 516,166,516) ordinary shares in issue during the year.

The calculation of basic and diluted losses as per share from discontinued operations for the year ended 31 December 2017 is based on the loss attributable to ordinary equity shareholders of the Company from discontinued operations of approximately RMB5,832,000 and the weighted average of 516,166,516 ordinary shares in issue during the year ended 31 December 2017.

### (i) Loss attributable to equity shareholders of the Company

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Loss for the year from continuing operations	<b>25,001</b>	96,354
Loss for the year from discontinued operations	–	5,832
	<b>25,001</b>	102,186

### (ii) Weighted average number of ordinary shares

	<b>2018</b>	2017
	<b>Number of shares</b>	Number of shares
Ordinary shares issued at 1 January	<b>526,508,982</b>	501,508,982
Effect of placing of new shares (note 25(a)(i))	–	14,657,534
Weighted average number of ordinary shares at 31 December	<b>526,508,982</b>	516,166,516

There were no dilutive potential ordinary shares in issue as at 31 December 2018 (2017: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Machinery, equipment and tools</b>	<b>Motor vehicles and other fixed assets</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
<b>Cost:</b>			
At 1 January 2017	1,502	7,488	8,990
Exchange adjustments	(56)	(72)	(128)
Additions	365	77	442
Disposals	(558)	(1,822)	(2,380)
Elimination on disposal of subsidiaries	(440)	–	(440)
At 31 December 2017 and 1 January 2018	813	5,671	6,484
Exchange adjustments	12	20	32
Additions	719	541	1,260
Disposals	(611)	(132)	(743)
Elimination on disposal of subsidiaries	(77)	(309)	(386)
<b>At 31 December 2018</b>	<b>856</b>	<b>5,791</b>	<b>6,647</b>
<b>Accumulated depreciation:</b>			
At 1 January 2017	(1,056)	(5,295)	(6,351)
Exchange adjustments	36	39	75
Charge for the year	(361)	(831)	(1,192)
Elimination on disposal of subsidiaries	282	–	282
Written back on disposals	335	927	1,262
At 31 December 2017 and 1 January 2018	(764)	(5,160)	(5,924)
Exchange adjustments	(8)	(59)	(67)
Charge for the year	(346)	(462)	(808)
Elimination on disposal of subsidiaries	77	309	386
Written back on disposals	524	93	617
<b>At 31 December 2018</b>	<b>(517)</b>	<b>(5,279)</b>	<b>(5,796)</b>
<b>Net book value:</b>			
<b>At 31 December 2018</b>	<b>339</b>	<b>512</b>	<b>851</b>
At 31 December 2017	49	511	560

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 13. INTANGIBLE ASSETS

	Customer relationships RMB'000	Customer contracts RMB'000	Trademarks (note (i)) RMB'000	Firewall patents RMB'000	Software Patents (note (ii)) RMB'000	Total RMB'000
<b>Cost:</b>						
At 1 January 2017	7,262	3,015	2,815	665	6,850	20,607
Additions	-	-	-	-	9,274	9,274
At 31 December 2017 and 1 January 2018	7,262	3,015	2,815	665	16,124	29,881
Additions	-	-	-	-	4,706	4,706
<b>31 December 2018</b>	<b>7,262</b>	<b>3,015</b>	<b>2,815</b>	<b>665</b>	<b>20,830</b>	<b>34,587</b>
<b>Accumulated amortisation:</b>						
At 1 January 2017	(7,262)	(3,015)	-	(665)	(57)	(10,999)
Charge during the year	-	-	-	-	(775)	(775)
At 31 December 2017 and 1 January 2018	(7,262)	(3,015)	-	(665)	(832)	(11,774)
Charge during the year	-	-	-	-	(1,802)	(1,802)
<b>At 31 December 2018</b>	<b>(7,262)</b>	<b>(3,015)</b>	<b>-</b>	<b>(665)</b>	<b>(2,634)</b>	<b>(13,576)</b>
<b>Net book value:</b>						
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>2,815</b>	<b>-</b>	<b>18,196</b>	<b>21,011</b>
At 31 December 2017	-	-	2,815	-	15,292	18,107

The amortisation charge for the year ended 31 December 2018 and 2017 is included in “cost of sales” in the consolidated statement of profit or loss.

Notes:

(i) Trademarks

During the year ended 31 December 2018 and 2017, management of the Group performed impairment assessment periodically to assess the recoverable amount of the trademarks and determined that there was no impairment of trademarks.

The recoverable amount of the trademarks is based on its fair value determined using the relief-from-royalty method, which used the expected sales deriving from the trademarks in the software business included in the cash flow projections based on financial estimates covering a five-year period, used in the impairment assessment of the “software business-PRC” cash generating (see note 15) and a discount rate of 26.5% (2017: 22.5%). The cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3%) growth rate. Management has considered the above assumptions and valuation and also taken into account the business plan going forward.

(ii) Software patents

Software patents comprise staff costs which were costs capitalised during the year in represent of development work carried out on internally generated intangible assets. The patents were designed and developed by the Group to assist the improvement of customer’s computer system and expected to have useful economic life of 10 years. The management expected these software patents to contribute net cash inflows within the lifespan of these patents.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENTS IN SUBSIDIARIES

The non-current amounts due from subsidiaries are unsecured, interest free and no fixed terms of repayments.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company		Particulars of issued share capital/paid up capital	Principal activities
		Direct %	Indirect %		
Winsino Investments Limited	British Virgin Islands ("BVI")	100%	-	1 share of USD1 each	Investment holding
Smart Billion Enterprises Corporation	BVI	100%	-	100 shares of USD1 each	Investment holding
Easy Talent Limited	Cayman Islands	-	60%	10 shares of USD1 each	Investment holding
Liang Hui Holdings Limited	BVI	-	60%	1 share of USD1 each	Investment holding
Oriental Legend Maker Technology Ltd.	HK	-	60%	1 share of HKD1 each	Investment holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") (note (i) and (iii))	PRC	-	60%	RMB110,000,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") (note (i) and (iii))	PRC	-	60%	RMB30,000,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") (note (i) and (iii))	PRC	-	60%	RMB10,000,000	Provision of integrated business software solutions

Notes:

- (i) These entities are limited liability companies established in the PRC.
- (ii) These entities are wholly foreign owned enterprises established in the PRC.
- (iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 14. INVESTMENTS IN SUBSIDIARIES (cont'd)

The following table lists out the information relating to Beijing OLM, Chengdu OLM and Shanghai OLM, the subsidiaries of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Beijing OLM		Chengdu OLM		Shanghai OLM	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	<b>40%</b>	40%	<b>40%</b>	40%	<b>40%</b>	40%
Current assets	<b>182,953</b>	217,269	<b>42,927</b>	45,932	<b>48,878</b>	54,535
Non-current assets	<b>54,694</b>	50,636	<b>13,655</b>	13,713	<b>940</b>	1,157
Current liabilities	<b>(72,177)</b>	(85,091)	<b>(2,233)</b>	(2,796)	<b>(18,750)</b>	(19,592)
Net assets	<b>165,470</b>	182,814	<b>54,350</b>	56,849	<b>31,068</b>	36,100
Carrying amounts of NCI	<b>66,188</b>	73,126	<b>21,740</b>	22,740	<b>12,427</b>	14,440
Turnover	<b>110,238</b>	241,323	<b>4,786</b>	9,478	<b>48,839</b>	72,837
(Loss)/profit for the year	<b>(17,250)</b>	11,845	<b>(2,499)</b>	(684)	<b>(5,016)</b>	1,098
Total comprehensive (expenses)/income	<b>(17,250)</b>	11,845	<b>(2,499)</b>	(684)	<b>(5,016)</b>	1,098
(Loss)/profit allocated to NCI	<b>(6,900)</b>	4,738	<b>(1,000)</b>	(273)	<b>(2,006)</b>	439
Dividend paid to NCI	-	-	-	-	-	-
Cash flow from operating activities	<b>1,472</b>	10,080	<b>(891)</b>	78	<b>(3,787)</b>	7,870
Cash flows from investing activities	<b>(5,058)</b>	(7,959)	<b>(6)</b>	9	<b>23</b>	54
Cash flow from financing activities	<b>1,497</b>	(1,237)	-	-	<b>(2,469)</b>	(457)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 15. GOODWILL

	Total RMB'000
<b>Cost:</b>	
At 1 January 2017	227,042
Exchange adjustments	(10,431)
Elimination on disposal of subsidiaries	(197,070)
At 31 December 2017, 1 January 2018 and 31 December 2018	19,541
<b>Accumulated impairment losses:</b>	
At 1 January 2017	(198,549)
Exchange adjustments	10,193
Impairment loss	(8,714)
Elimination on disposal of subsidiaries	197,070
At 31 December 2017, 1 January 2018 and 31 December 2018	–
<b>Carrying amount:</b>	
<b>At 31 December 2018</b>	<b>19,541</b>
At 31 December 2017	19,541

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment as follows:

	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Software business – PRC	<b>19,541</b>	19,541



## 15. GOODWILL (cont'd)

### Impairment tests for cash-generating units ("CGU") containing goodwill

#### Software business – PRC

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions for the recoverable amount are the underlying cash flows projections, revenue growth rate and discount rate used. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2017: 3%). Revenue growth rate is based on past performance, current industry trends and management expectation of market development. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 24.1% (2017: 20.9%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

#### Mobile marketing business – HK

Due to deteriorating performance and suffered significant loss in mobile marketing business, the Directors determined that there was a need for an impairment on the goodwill arising from the acquisition of mobile marketing business as the recoverable amount of cash generating unit ("CGU") based on the valuation report by an independent valuer was calculated to be lower than their aggregate carrying amounts.

During the year ended 31 December 2017, the Group disposed the entire equity interest in the Apex Group which carried out the Group's mobile marketing business (note 4 and note 26).

During the year ended 31 December 2017, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 18.4%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2017, the impairment loss of goodwill recognised to the consolidated statement of profit or loss was approximately RMB8,714,000.

The Directors believe that the mobile marketing business containing goodwill has been reduced to its recoverable amount. The management of the Group believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the CGU.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 16. INTEREST IN AN ASSOCIATE

Name of associate company	Form of business structure	Place of incorporation/ operation	Portion of ownership interests held by the Group %	Portion of voting right held by the Group %	Principal activities
All Treasure International Industrial Limited ("All Treasure")	Incorporated	Hong Kong	28%	28 %	Investment holding

All Treasure and its subsidiaries principally engaged in the businesses of (i) making and editing song library into karaoke music and managing and licensing copyrights thereof in the PRC; and (ii) provision of information system service and karaoke content management service, in respect of karaoke music products in the PRC, to karaoke venues in the PRC. Due to the keen competition of the entertainment activities in the PRC, the karaoke business performed not as expected. All Treasure suffered a severe loss during the year ended 31 December 2017.

	2018 RMB'000	2017 RMB'000
Cost of investments, unlisted	-	63,230
Share of post-acquisition results income, and other comprehensive expense, net of dividends received	-	(63,230)
At 31 December	-	-

The Group's share of results of an associate has been recognised to the extent of the carrying amount of the investments as there is no obligation to contribute to any losses in excess of the amount of investment. The unrecognised share of losses and accumulated unrecognised share of losses during the year ended 31 December 2017 amounted to approximately RMB4,425,000. On 28 June 2018, All Treasure ceased to be an associate of the Group as a result of the disposal of Fine Time Global Limited (being an immediate holding company of All Treasure and a direct wholly-owned subsidiary of the Company).

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2018 RMB'000	2017 RMB'000
The Group's share of results	-	(64,516)
The Group's share of other comprehensive income	-	4
The Group's share of total comprehensive income	-	(64,512)
Aggregate carrying amount of the Group's interests in an associate	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 17. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Standard hardware and accessories	<b>931</b>	1,349
Low value consumables	<b>6</b>	6
	<b>937</b>	1,355

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Carrying amount of inventories sold recognised in cost of sales	<b>418</b>	1,385

## 18. CONTRACT ASSETS AND LIABILITIES

		<b>31 December</b>	1 January	31 December
	Notes	<b>2018</b>	2018	2017
		<b>RMB'000</b>	RMB'000	RMB'000
Contract assets, net of loss allowance	(i),(ii)	<b>14,387</b>	12,709	–
Contract liabilities	(i),(iii)	<b>11,133</b>	8,794	–

Notes:

- (i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.
- (ii) Upon the adoption of IFRS 15, some of trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion, included as "Trade receivables" (note 19) were reclassified to contract assets.
- (iii) Upon the adoption of IFRS 15, advance receipts from customers included as "Non-trade payables and accrued expenses" (note 22) were reclassified to contract liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 18. CONTRACT ASSETS AND LIABILITIES (cont'd)

Movements in contract liabilities:

	<b>Year ended 31 December 2018 Total RMB'000</b>
Balance at 1 January	<b>8,794</b>
Decrease in contract liabilities as a result of recognising revenue or other income during the year that was included in the contract liabilities at the beginning of the year	<b>(8,794)</b>
Increase in contract liabilities excluding amounts recognised as revenue during the year	<b>11,133</b>
Balance at 31 December	<b>11,133</b>

## 19. TRADE AND OTHER RECEIVABLES

	Notes	<b>31 December 2018 RMB'000</b>	1 January 2018 RMB'000	31 December 2017 RMB'000
Trade receivables, net of loss allowance	(i), (ii)	<b>20,371</b>	64,444	78,587
Loan receivables, net of loss allowance	(iii), (iv), (v)	<b>14,413</b>	12,652	12,652
Prepayments made to suppliers	(vi)	<b>94,108</b>	81,550	81,550
Deposits and other receivables, net of loss allowance	(i),(vii)	<b>19,787</b>	21,878	21,988
		<b>148,679</b>	180,524	194,777

All of the trade and other receivables are expected to be recovered within one year.

Notes:

- (i) Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables and deposits and other receivables (see note 1(c)(i)).



## 19. TRADE AND OTHER RECEIVABLES (cont'd)

- (ii) As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Within 1 month	<b>11,181</b>	64,952
Over 1 month but less than 3 months	<b>5,399</b>	4,922
Over 3 months but less than 1 year	<b>2,462</b>	4,821
Over 1 year but less than 2 years	<b>1,068</b>	2,274
Over 2 years	<b>261</b>	1,618
	<b>20,371</b>	78,587

Trade receivables are generally due within 365 days from the date of billing. Further details of the Group's credit policy are set out in note 30(a).

- (iii) The maturity profile of the loan receivables and net of allowance at the end of reporting period, analysed by the remaining periods to their contracted maturity is as follow:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Repayable		
Within 1 month	-	-
Over 1 month but less than 3 months	-	-
Over 3 months but less than 1 year	<b>14,413</b>	12,652
	<b>14,413</b>	12,652

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 19. TRADE AND OTHER RECEIVABLES (cont'd)

- (iv) As of the end of the reporting period, the ageing analysis of loan receivables (which are included in trade and other receivables), based on loan drawn down date and net of loss allowance, is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Within 1 month	-	-
Over 1 month but less than 3 months	<b>14,237</b>	-
Over 3 months but less than 1 year	<b>176</b>	8,490
Over 1 year but less than 2 years	-	4,162
	<b>14,413</b>	12,652

- (v) The movement in the loss allowance of loan receivables during the year is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
At 1 January	<b>1,859</b>	1,999
Exchange adjustments	<b>413</b>	(140)
Loss allowance	<b>6,523</b>	-
At 31 December	<b>8,795</b>	1,859

As at 31 December 2018, the Group has recognised an allowance for credit losses on loan receivables amount to approximately RMB8,795,000 of which RMB2,444,000 were individually determined to be impaired under ECLs. Included in the loss allowance on loan receivables, approximately RMB6,351,000 was determined as credit impaired.

As at 31 December 2017, the loan receivables of the Group amounting to approximately RMB1,859,000 were individually determined to be impaired, of which were outstanding over 365 days at the end of reporting period or were due from customers with financial difficulties.





## 19. TRADE AND OTHER RECEIVABLES (cont'd)

- (vi) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 18% (2017: 45%) and 41% (2017: 49%) of the total prepayments made to the Group's largest supplier and the five largest suppliers respectively.

- (vii) The movement in the loss allowance of deposits and other receivables during the year is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
At 1 January	-	2,918
Impact on initial application of IFRS 9 (note 1(c)(i))	<b>110</b>	-
Exchange adjustments	-	(146)
Disposal of a subsidiary	-	(2,772)
Loss allowance	<b>10,717</b>	-
At 31 December	<b>10,827</b>	-

## 20. TRADING SECURITIES

The Group did not hold listed equity securities as at 31 December 2018 and 2017.

During the year ended 31 December 2018, the realised loss on trading securities were Nil (2017: loss of RMB18,062,000).

The fair value of all equity securities are in based on their current market prices in an active market.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

### (a) An analysis of the balance of cash and cash equivalents:

	2018 RMB'000	2017 RMB'000
Cash on hand	65	106
Deposits on demand	96,555	123,142
Cash and bank deposits (note(i))	96,620	123,248
Pledged bank deposits (note(ii))	(174)	(277)
Cash and cash equivalents in the balance sheet	96,446	122,971

Notes:

- (i) Included in cash and bank deposits were approximately RMB82,544,000 (2017: approximately RMB91,351,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.
- (ii) At 31 December 2018 and 2017, the bank deposits were pledged to secure trade finance facilities to the Group, have a maturity period not more than one year and are therefore classified as current assets.

### (b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

	2018 RMB'000	2017 RMB'000
<b>Borrowings</b>		
At 1 January	27,742	30,250
<b>Change from financing cash flows:</b>		
Proceeds from new borrowings	26,420	26,615
Repayment of borrowings	(26,000)	(28,755)
Finance costs paid	(1,775)	(1,735)
Total changes form financing cash flows	(1,355)	(3,875)
<b>Other changes:</b>		
Finance costs	1,775	1,735
Exchange adjustments	228	(368)
Total other changes	2,003	1,367
<b>At 31 December (note 23)</b>	<b>28,390</b>	<b>27,742</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 22. TRADE AND OTHER PAYABLES

	<b>31 December 2018</b>	1 January 2018	31 December 2017
	<b>RMB'000</b>	RMB'000	RMB'000
Trade creditors	<b>7,992</b>	10,246	10,246
Non-trade payables and accrued expenses	<b>4,716</b>	11,596	20,390
Other tax payable	<b>501</b>	4,613	4,613
	<b>13,209</b>	26,455	35,249

All of the trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Due within 1 month or on demand	<b>5,103</b>	8,907
Due after 1 month but within 3 months	<b>2,719</b>	–
Due after 3 months but within 6 months	<b>130</b>	–
Due after 6 months but within 1 year	<b>40</b>	1,339
	<b>7,992</b>	10,246



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 23. BORROWINGS

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Unsecured borrowings (note (a))	<b>4,390</b>	4,162
Secured bank loans (note (b))	<b>24,000</b>	23,580
	<b>28,390</b>	27,742

### (a) Unsecured borrowings

At 31 December 2018, the unsecured borrowing bears interest at 9% (2017: 9%) per annum and repayable within one year.

### (b) Secured bank loans

The secured bank loans were repayable as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Within 1 year or on demand	<b>24,000</b>	23,580

At 31 December 2018, the secured bank loan of RMB24,000,000 (2017: RMB23,580,000) of the Group bears interest from 4.775% to 5.655% (2017: 4.785% to 5.82%) per annum. At 31 December 2018 and 2017, the secured bank loans are secured by corporate guarantee of a PRC subsidiary and certain trade receivables not less than RMB8,000,000.

All borrowings are repayable within one year or on demand.



## 24. DEFERRED TAXATION

### (a) Deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	<b>Depreciation allowances in excess of the related depreciation</b>	<b>Write-down of inventory</b>	<b>Tax losses</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	(49)	346	36	333
Elimination on disposal of subsidiaries	46	–	(35)	11
Exchange adjustments	3	–	(1)	2
At 31 December 2017, 1 January 2018 and 31 December 2018	–	346	–	346

*Reconciliation to the consolidated statement of financial position*

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	<b>346</b>	346
Net deferred tax liability recognised in the consolidated statement of financial position	–	–
	<b>346</b>	346

### (b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB33,656,000 (2017: RMB27,671,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 24. DEFERRED TAXATION (cont'd)

### (c) Deferred tax liabilities not recognised

At 31 December 2018, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB48,720,000 (2017: RMB61,180,000). Deferred tax liabilities of approximately RMB2,436,000 (2017: RMB3,059,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

## 25. SHARE CAPITAL AND RESERVES

### (a) Share capital

	Note	2018		2017	
		Number of shares	Amount HK\$	Number of shares	Amount HK\$
<b>Authorised:</b>					
Ordinary shares of HK\$0.1 each		10,000,000,000	1,000,000,000	10,000,000,000	1,000,000,000
<b>Issued and fully paid:</b>					
At 1 January		526,508,982	52,650,898	501,508,982	50,150,898
Issue of placing shares	(i)	-	-	25,000,000	2,500,000
At 31 December		526,508,982	52,650,898	526,508,982	52,650,898
			<b>RMB equivalent</b>		<b>RMB equivalent</b>
			<b>44,711,310</b>		<b>44,711,310</b>

#### (i) Issue of placing shares

Pursuant to a placing agreement dated on 22 May 2017, a total of 25,000,000 ordinary shares of HK\$0.1 each were issued at the placing price of HK\$1.23 per placing share. The placing has resulted in an increase in the share capital and share premium account by approximately HK\$2,500,000 (equivalent to approximately RMB2,183,000) and approximately HK\$27,515,000 (equivalent to approximately RMB24,029,000) respectively.

### (b) Nature and purpose of reserves

#### (i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.



## 25. SHARE CAPITAL AND RESERVES (cont'd)

### (b) Nature and purpose of reserves (cont'd)

#### (ii) PRC statutory reserve

Transfers from retained profits to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly-owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity shareholders.

#### (iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from the hedges of the net investment in there foreign operations. The reserve is dealt with in accordance with the accounting policy set out in 1(w).

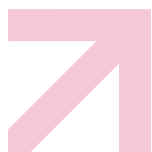
### (c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing borrowings less cash and capital is defined as the total equity. As at 31 December 2018, the Group had cash in excess of interest-bearing borrowings. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or raise new debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. DISPOSAL OF SUBSIDIARIES

### For the year ended 31 December 2018

On 30 October 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Affirm Action Limited, a direct wholly-owned subsidiary, for a cash consideration of HK\$1. The disposal has been completed on the same day.

<b>Net liabilities disposed</b>	RMB'000
Other payables	(8,445)
	(8,445)
Release of exchange reserve	498
Gain on disposal of a subsidiary	7,947
Total consideration received	–
Cash and cash equivalents disposed of	–
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	–





## 26. DISPOSAL OF SUBSIDIARIES (cont'd)

On 26 October 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Unique View International Limited, a direct wholly-owned subsidiary and its subsidiaries, for a cash consideration of HK\$10,000. The disposal has been completed on the same day.

<b>Net liabilities disposed</b>	RMB'000
Release of exchange reserve	(6,063)
Gain on disposal of a subsidiary	6,073
Total consideration received	10
Cash and cash equivalents disposed of	–
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	–

On 26 October 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Lofty Swan Investments Limited, a direct wholly-owned subsidiary, for a cash consideration of HK\$1,000. The disposal has been completed on the same day.

<b>Net liabilities disposed</b>	RMB'000
Release of exchange reserve	(988)
Gain on disposal of a subsidiary	989
Total consideration received	1
Cash and cash equivalents disposed of	–
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. DISPOSAL OF SUBSIDIARIES (cont'd)

On 26 October 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Easy Elite Holdings Limited, a direct wholly-owned subsidiary, for a cash consideration of HK\$5,000. The disposal has been completed on the same day.

<b>Net liabilities disposed</b>	RMB'000
Gain on disposal of a subsidiary	5
Total consideration received	5
Cash and cash equivalents disposed of	–
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	–

On 28 June 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Fine Time Global Limited, a direct wholly-owned subsidiary and its subsidiaries, for a cash consideration of HK\$1. The disposal has been completed on the same day.

<b>Net liabilities disposed</b>	RMB'000
Other payables	(30)
	(30)
Release of exchange reserve	(1,034)
Gain on disposal of a subsidiary	1,064
Total consideration received	–
Cash and cash equivalents disposed of	–
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	–



## 26. DISPOSAL OF SUBSIDIARIES (cont'd)

### For the year ended 31 December 2017

On 7 November 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Apex Group, which carried out the Group's mobile marketing business, for a cash consideration of HK\$1. The disposal has been completed on the same day.

<b>Net liabilities disposed</b>	RMB'000
Property, plant and equipment	158
Trade and other receivables	3,244
Cash and cash equivalents	398
Trade and other payables	(11,349)
Current taxation	(211)
Deferred tax assets	35
Deferred tax liabilities	(46)
	(7,771)
Release of exchange reserve	3,477
Gain on disposal of a subsidiary	4,294
Total consideration received	–
Cash and cash equivalents disposed of	(398)
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	(398)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 27. COMMITMENTS

### (i) Capital commitments

The Group has capital commitments in respect of capital injection of a subsidiary in the PRC amount to approximately RMB10,000,000 as at 31 December 2018 and does not has significant capital commitments as at 31 December 2017.

### (ii) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases at the end of the reporting period are payables as follows:

	2018 RMB'000	2017 RMB'000
Less than one year	1,335	2,794
Between one and two years	337	601
Between two and three years	-	-
	<b>1,672</b>	<b>3,395</b>

The Group leased a number of properties under operating leases during the year. None of the leases include contingent rentals.

## 28. RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. The contribution rates of the PRC subsidiaries employees administered by various municipal governments are ranged from 14% to 20% (2017: 14% to 20%).

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.



## 29. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the consolidated financial statements, there was no material related party transaction during the years ended 31 December 2018 and 2017.

### (b) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Short-term employee benefits	<b>7,647</b>	8,573
Post-employment benefits	<b>291</b>	250
	<b>7,938</b>	8,823

### (c) Contribution to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by the relevant municipal governments for its employees. The details of the Group's employee benefits plan are disclosed in note 28. As at 31 December 2018, there was no material outstanding contribution to post-employment benefit plans (2017: Nil).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation. The Group's credit risk is primarily attributable to trade and other receivables, contract assets and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

#### Cash and cash equivalents

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidation statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

#### Trade and other receivables and contract assets

In respect of trade receivables and contract assets, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of software business are usually required to settle the payment based on the agreed schedule in accordance to the sales contract. Customers with balances overdue are normally requested to settle all outstanding balances before further service is provided. Normally, the Group does not obtain collateral from its customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.



## 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

### (a) Credit risk (cont'd)

Trade and other receivables and contract assets (cont'd)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	%	RMB'000	RMB'000
Current (not past due)	0.95	18,216	86
Less than 3 months past due	10.50	1,083	112
Over 3 months to 1 year past due	17.14	1,041	175
Over 1 year to 2 years past due	46.39	753	349
Over 2 years past due	100.00	729	729
		21,822	1,451

As at 31 December 2018, the Group has recognised an allowance for credit losses on trade receivables amount to approximately RMB1,451,000, of which approximately RMB44,000 were collectively determined to be impaired under ECLs during the year.

As at 31 December 2017, the trade receivables of the Group amounting to approximately RMB67,000 were individually determined to be impaired, of which were outstanding over 365 days at the end of reporting period or were due from customers with financial difficulties.

As at 31 December 2018, the Group has recognised an allowance for credit losses on loan receivables amount to approximately RMB8,795,000, of which approximately RMB2,444,000 were individually determined to be impaired under ECLs during the year. Included in the loss allowance on loan receivables, approximately RMB6,351,000 was determined as credit impaired.

As at 31 December 2017, the loan receivables of the Group amounting to approximately RMB1,859,000 were individually determined to be impaired, of which were outstanding over 365 days at the end of reporting period or were due from customers with financial difficulties.

As at 31 December 2018, the Group has recognised an allowance for credit losses on contract assets amount to approximately RMB217,000, of which approximately RMB134,000 were collectively determined to be impaired under ECLs during the year.

As at 31 December 2018, the Group has recognised an allowance for credit losses on deposits and other receivables amount to approximately RMB10,827,000 of which approximately RMB10,717,000 were individually determined to be impaired under ECLs during the year. Included in the loss allowance on deposits and other receivables, approximately RMB3,578,000 was determined as credit impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

### (a) Credit risk (cont'd)

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(k)) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RM1,268,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	70,849
Less than 3 month past due	5,063
Over 3 months to 1 year past due	298
Over 1 year to 2 years past due	2,226
Over 2 years past due	151
	7,738
	78,587

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December 2017 under IAS 39	139	5,025
Impact on initial application of IFRS 9 (note 1(c)(i))	1,268	–
Adjusted balance at 1 January	1,407	5,025
Amounts written off during the year	44	67
Disposal of subsidiaries	–	(4,798)
Reversal of impairment loss during the year	–	–
Exchange differences	–	(155)
Balance at 31 December	1,451	139





## 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

### (b) Liquidity risk

The individual subsidiaries within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities of financial liabilities

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's and the Company's non-derivative financial liabilities including estimated interest payments:

	2018				
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
<b>Non-derivative financial liabilities</b>					
Borrowings	28,390	30,023	30,023	-	-
Trade and other payables excluding advance receipts from customers	13,209	13,209	13,209	-	-
	<b>41,599</b>	<b>43,232</b>	<b>43,232</b>	-	-
	2017				
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
<b>Non-derivative financial liabilities</b>					
Borrowings	27,742	29,415	29,415	-	-
Trade and other payables excluding advance receipts from customers	26,455	26,455	26,455	-	-
	54,197	55,870	55,870	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other than bank balances and pledged bank deposits with variable interest rate, amount due from an associate and loan receivables with fixed interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances and pledged bank deposits are not expected to change significantly.

The Group's interest rate risk arises primarily from cash and cash equivalents, time deposits, loan receivable and borrowings issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

#### (i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the end of each reporting period is as follows:

	2018		2017	
	Effective weighted average interest rates % (annual)	RMB'000	Effective weighted average interest rates % (annual)	RMB'000
<b>Fixed rate instruments</b>				
Loan receivables	10.00	14,413	10.00	12,652
Borrowings	9.00	(4,390)	9.00	(4,162)
<b>Variable rate instruments</b>				
Borrowings	5.16	(24,000)	5.51	(23,580)



## 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

### (c) Interest rate risk (cont'd)

#### (ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately RMB198,000 (2017: RMB192,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's loss for the year after tax and accumulated losses is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2017.

### (d) Foreign currency risk

The Group's businesses are principally conducted in Renminbi and most of the Group's monetary assets and liabilities are denominated in Renminbi. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

### (e) Equity price risk

At 31 December 2018 and 2017, the Group was not exposed to equity price changes as the Group did not hold any trading securities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

### (f) Fair value measurement

- (i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2018 and 2017, the Group did not have any financial assets and liabilities that were measured fair value.

During the years ended 31 December 2018 and 2017, there were no significant transfers between in Level 1 and 2, or transfers into or out of Level 3 (2017: Nil.)

- (ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2018 and 2017.

### (g) Financial instruments by category

The carrying amounts of each of the categories of financial instruments at each of the reporting date is as follows:

	2018 RMB'000	2017 RMB'000
Financial assets		
– Loans and receivables	N/A	236,228
– Financial assets measured at amortised cost	150,741	N/A
Financial liabilities		
– Financial liabilities measured at amortised cost	41,098	49,584

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 31. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES

### a) Company-level statement of financial position

	Notes	2018 RMB'000	2017 RMB'000
<b>Non-current assets</b>			
Investments in subsidiaries		11	2
Amounts due from subsidiaries		154,571	258,741
		<b>154,582</b>	258,743
<b>Current assets</b>			
Deposits and other receivables		215	183
Cash and cash equivalents		7,119	17,042
		<b>7,334</b>	17,225
<b>Non-current liability</b>			
Amount due to subsidiaries		3	1,419
<b>Current liabilities</b>			
Other payables and accrued expenses		1,591	2,200
Borrowings		4,390	4,162
		<b>5,981</b>	6,362
<b>Net current assets</b>		<b>1,353</b>	10,863
<b>Total assets less current liabilities</b>		<b>155,935</b>	269,606
<b>Net assets</b>		<b>155,932</b>	268,187
<b>Capital and reserves</b>			
Share capital	25(a)	44,711	44,711
Reserves	31(b)	111,221	223,476
<b>Total equity</b>		<b>155,932</b>	268,187

Approved and authorised for issue by the Board of Directors on 28 March 2019.

**Lam Kai Tai**  
Director

**Bai Xuefei**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 31. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES (cont'd)

### (b) Company-level reserves

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at and 1 January 2017	506,417	48,011	(99,765)	454,663
Loss for the year	–	–	(228,244)	(228,244)
Other comprehensive expenses	–	(26,972)	–	(26,972)
Total comprehensive expenses for the year	–	(26,972)	(228,244)	(255,216)
Shares issued by way of placing	24,671	–	–	24,671
Shares issue expenses	(642)	–	–	(642)
Balance at 31 December 2017	530,446	21,039	(328,009)	223,476
<b>Balance at and 1 January 2018</b>	<b>530,446</b>	<b>21,039</b>	<b>(328,009)</b>	<b>223,476</b>
Loss for the year	–	–	(122,017)	(122,017)
Other comprehensive expenses	–	9,762	–	9,762
Total comprehensive expenses for the year	–	9,762	(122,017)	(112,255)
<b>Balance at 31 December 2018</b>	<b>530,446</b>	<b>30,801</b>	<b>(450,026)</b>	<b>111,221</b>

## 32. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 14 November 2017, Reliable Intelligence Asia Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire 50% of issued share capital in Taiping Securities (HK) Co Limited (the "Acquisition"). The Acquisition constitutes a major transaction of the Company under the Listing Rules and has been approved by the Company's shareholders at an extraordinary general meeting of the Company held on 8 February 2018. For further information of the Acquisition, please refer to the Company's announcements dated 14 November 2017, 22 December 2017, 12 January 2018 and 6 February 2018, 12 December 2018, 31 December 2018, and the Company's circular dated 23 January 2018. The transaction has not completed as of the date of this report.



### 33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of the consolidated financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

		<b>Effective for accounting periods beginning on or after</b>
Amendments IAS 28	Long-term interest in associates and joint ventures	1 January 2019
Amendments to IFRS	Annual improvements to IFRSs 2015-2017 Cycle	1 January 2019
IFRS 16	Leases	1 January 2019
IFIRC 23	Uncertainty over income tax treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

#### **IFRS 16, Leases**

As disclosed in note 1(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

Based on management's preliminary assessment, IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (cont'd)

### IFRS 16, Leases (cont'd)

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 27, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB1,672,000 for properties respectively, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

The Group has preliminarily assessed the practical expedient regarding the lease definition and expects there is no material impact to the Group as currently the Group does not have any lease arrangement classified as a finance lease.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial Statements from 2019 onwards.

## 34. COMPARATIVE FIGURE

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c). Certain comparative figures are reclassified to conform with the current year's presentation.