ENTERPRISE DEVELOPMENT
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1808

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Guan Huanfei *(Chairman)*
Mao Junjie

Independent Non-executive Directors
Cai Jinliang
Hui Yat On

COMPANY SECRETARY
Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES
Mao Junjie
Chan Yuen Ying, Stella

AUDIT COMMITTEE
Cai Jinliang *(Committee Chairman)*
Hui Yat On

REMUNERATION COMMITTEE
Guan Huanfei
Cai Jinliang

NOMINATION COMMITTEE
Guan Huanfei
Cai Jinliang

AUDITOR
Mazars CPA Limited

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
Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
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

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 2020.

For the financial year ended 31 December 2020, the Group recorded a consolidated net loss attributable to equity shareholders of the Company of approximately RMB17 million as compared to the consolidated net loss attributable to equity shareholders of the Company of approximately RMB82 million in the last corresponding year. The consolidated net loss attributable to equity shareholders of the Company for the year ended 31 December 2020 was mainly due to, including but not limited to, (i) the distribution expenses of approximately RMB19 million; (ii) the general and administrative expenses of approximately RMB17 million; (iii) the impairment on intangible assets of approximately RMB8 million; (iv) loss allowance on trade and other receivables of approximately RMB1 million; and net off by (v) change in fair value of financial assets at fair value through profit or loss of approximately RMB4 million; and (vi) gross profit of approximately RMB18 million. The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

The Group's software business continued to record a slowdown for the year ended 31 December 2020 was due to the outbreak of coronavirus disease 2019 ("COVID-19"). The COVID-19 has brought a negative impact in overall market sentiment and the Group's financial performance in the year 2020 was adversely affected. The COVID-19 has posed significant challenges to the Group's business activities and has caused operational delays to some extent. The Group will try to maintain its competitiveness in 2021 through introduction of new products and services, further broadening of client base and implementation of various cost control policies.

Chinese economy will keep a good momentum of steady growth despite there are still many uncertainties in China's internal and external economic and market environment in forthcoming year. 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 will put the best effort on the growth opportunities in the financial services industry and believes 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.

Guan Huanfei
Chairman

Hong Kong, 30 March 2021

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Guan Huanfei ("Mr. Guan"), aged 63, was appointed as an executive Director and the chairman of the Board on 2 June 2020. He is also a member of each of the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee of the Company (the "Nomination Committee"). Mr. Guan obtained a Doctor degree in Economics in 2000 from Wuhan University and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. He has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. Mr. Guan has been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Mr. Guan has been appointed as a visiting professor of Jilin University of Finance and Economics since August 2019. Mr. Guan has been an economic and technical consultant of People's Government of Jilin Province for years. He has extensive experience in finance and insurance industry in Hong Kong and the People's Republic of China. Mr. Guan held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, China Taiping Insurance (HK) Company Limited and China Pacific Insurance Co., (H.K.) Limited. Mr. Guan also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, the deputy chairman of credit asset management committee, the chairman of loan verification committee, the deputy general manager of the Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Company Limited and an executive director and general manager of BoCommLife Insurance Company Limited.

Mr. Guan is currently an independent non-executive director of each of China Nonferrous Mining Corporation Limited (stock code: 1258), China Shandong Hi-Speed Financial Group Limited (stock code: 412), Huarong International Financial Holdings Limited (stock code: 993), Sunwah Kingsway Capital Holdings Limited (stock code: 188), and Shanghai Zendai Property Limited (stock code: 755), all of the companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period from December 2017 to June 2018, Mr. Guan served as a non-executive director of Ping An Securities Group (Holdings) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 231). Mr. Guan was the chairman emeritus of Culturecom Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 343) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited from July 2013 to March 2016. Mr. Guan was an independent non-executive director of Solis Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2227) since August 2019 and resigned in September 2020. He was also an independent non-executive director of China Wood International Holding Co., Limited (formerly known as HongDa Financial Holding Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 1822) during the period from June 2018 to May 2020.

Ms. Mao Junjie ("Ms. Mao"), aged 38, was appointed as an executive Director on 31 December 2020. Ms. Mao worked at 北京東方龍馬軟件發展有限公司 (Beijing Oriental LegendMaker Software Development Company Limited*), a subsidiary of the Company, from October 2012 to March 2017, and her last position was a public relation manager. Ms. Mao was a director of Forefront International (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Rentian Technology Holdings Limited (in liquidation) (a company listed on the Main Board of the Stock Exchange, Stock code: 885) (the controlling shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company which was ordered to be wound up by the High Court of Hong Kong on 21 October 2020), between the period from May 2019 until her resignation in December 2019. Ms. Mao confirmed that she is not a party of such winding up proceedings and is not aware of any actual or potential claim that has been or will be made against her as a result of the above. Ms. Mao has 15 years of experience in financial management, information system management, accounting projects, and various mergers and acquisitions activities. Ms. Mao obtained a bachelor's degree from The Central Academy of Drama in July 2006.

* *For identification purposes only*

Independent Non-Executive Directors

Mr. Cai Jinliang ("Mr. Cai"), aged 51, was appointed as an independent non-executive Director on 24 August 2020. Mr. Cai is also the chairman of the audit committee of the Company (the "Audit Committee"), and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Cai was graduated from Gannan Normal University in July 1989, majoring in Mathematics and obtained a Master degree of Business Administration and a Postgraduate Degree from Northwest Polytechnical University in September 2006. Mr. Cai has been a certified public accountant in China since August 2008 and has more than 12 years of practicing experience and obtained the qualification of a certified internal auditor, certification in control self-assessment and an independent director in the Shanghai Stock Exchange. Mr. Cai joined Wuyige Certified Public Accountants LLP in October 2012 and has been a partner and department manager since April 2018. Mr. Cai had been a senior project manager and a manager in RSM China LLP (now known as Ruihua Certified Public Accountants) during the period from 2006 to September 2012. Mr. Cai has been an independent director and the convener of the board of directors, the audit committee of Fujian Start Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600734) since September 2018. Mr. Cai had conducted the audit work on the annual reports of Jingwei Textile Machinery Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 666), Shandong Xinneng Taishan Power Generation Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 720), Xinyangfeng Agricultural Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 902), Metallurgical Corporation of China Ltd. (a company listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 601618 and 01618), China Huaneng Group Co., Ltd., Great Wall Securities Co., Ltd (a company listed on the Shenzhen Stock Exchange; stock code: 2939) and Yintai Securities Co., Ltd., and has extensive experience in auditing annual report, significant assets restructuration and special audit on state-owned enterprises and listed companies. Mr. Cai performed internal audits according to corporate internal control standards of Datang International Power Generation Co., Ltd. (a company listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 601991 and 991) and Angang Steel Company Limited (a company listed on both the Shenzhen Stock Exchange and Hong Kong Stock Exchange, stock code: 898 and 347), provided consultation services on the establishment of internal control system of Xinjiang Bayi Iron & Steel Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600581) and has extensive experience in internal audit, evaluation and system construction consulting services.

Mr. Hui Yat On ("Mr. Hui"), aged 61, was appointed as an independent non-executive Director on 11 January 2021. Mr. Hui is also a member of the Audit Committee. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master's degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants since December 1986. Mr. Hui is a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui has been an independent non-executive director of ArtGo Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3313) since 8 June 2016. Mr. Hui is currently a senior executive of a company listed on the GEM of the Stock Exchange. He has previously served as the executive director and senior executive of several Hong Kong listed companies. Mr. Hui has three decades of experiences in the field of corporate finance and financial services.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB70,839,000 (2019: RMB101,628,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB43,442,000 (2019: RMB93,547,000); (ii) sale of software license and other products amounted to approximately RMB27,088,000 (2019: RMB8,062,000); and (iii) revenue from other sources amounted to approximately RMB309,000 (2019: RMB19,000). The decrease in overall revenue for the software business was due to the outbreak of COVID-19. The COVID-19 has brought a negative impact in overall market sentiment and the Group's financial performance in the year 2020 was adversely affected. The COVID-19 has posed significant challenges to the Group's business activities and has caused operational delays to some extent.

Gross Profit

For the year ended 31 December 2020, the Group recorded a gross profit of approximately RMB17,578,000 (2019: RMB23,325,000). The gross profit ratio for the software business of the Group during the year was approximately 25% while that of the last corresponding year was approximately 23%. The increase in gross profit ratio was mainly due to the increase in proportion for sale of self-developed products which have higher gross profit margin.

Distribution Expenses

For the year ended 31 December 2020, distribution expenses were approximately RMB19,486,000 (2019: RMB22,837,000). The decrease in distribution expenses was mainly due to the decrease in staff costs of the software business in the People's Republic of China (the "PRC") during the year.

General and Administrative Expenses

For the year ended 31 December 2020, general and administrative expenses were approximately RMB17,305,000 (2019: RMB21,867,000). The decrease in general and administrative expense was mainly attributable to the decrease in legal and professional fee.

Impairment on Prepayment Made to Suppliers, Intangible Assets and Goodwill

For the year ended 31 December 2020, an impairment on intangible assets of approximately RMB8,215,000 (2019: total impairment on prepayment made to suppliers, intangible assets and goodwill approximately RMB59,137,000) were contributed by the software business. The software business has been adversely affected by the business environment in the PRC and was projected to generate lower revenue and profit than expected.

Finance Costs

For the year ended 31 December 2020, finance costs were approximately RMB1,223,000 (2019: RMB1,655,000). The decrease in finance costs was mainly due to the decrease in the interest on short-term interest-bearing borrowings during the year.

Change in Fair Value of Financial Assets at Fair Value Through Profit or Loss

The Group invested in a financial instrument for short-term investments, included the equity securities listed in Hong Kong. For the year ended 31 December 2020, a change in fair value of financial assets at fair value through profit or loss of approximately RMB3,696,000 was recognised in profit or loss (2019: Nil).

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2020 of approximately RMB25,322,000 (2019: RMB104,119,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2020, the Group maintained cash and cash equivalents amounted to approximately RMB99,922,000 (2019: RMB64,766,000). As at 31 December 2020, the Group's current ratio was approximately 5.86 times (2019: 3.79 times); and the Group's net gearing ratio as at 31 December 2020 was not applicable (2019: 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 2020 and 2019, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

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 equity shareholders 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.

On 15 January 2020, the Company entered into a placing agreement with the placing agent (the "Placing Agreement"), pursuant to which the placing agent conditionally agreed to procure on a best effort basis to not less than six placees, who are professional institutional or other investor independent of and not connected with the Company, the connected persons of the Company and their respective associates procured by or on behalf of the placing agent to subscribe for up to 105,301,796 new ordinary shares of the Company at par value of HK$0.10 each with nominal value of approximately HK$10,530,180 at the placing price of HK$0.249 per placing share (the "Placing"). The placing price of HK$0.249 per placing share represents a discount of approximately 18.89% to the closing price of HK$0.307 per share of the Company as quoted on the Stock Exchange on 15 January 2020, being the date of the Placing Agreement. The reason of carry out the Placing was to strengthen the Group's financial position and enlarge the shareholder base and the capital base of the Company.

All conditions to the Placing Agreement have been fulfilled and completion of the Placing took place on 4 February 2020. A total of 105,301,796 placing shares were successfully allotted and issued to not less than six placees at the price of HK$0.249 per share. The 105,301,796 placing shares represented approximately 16.67% of the issued share capital of Company as enlarged by the allotment and issue of the placing shares. The gross proceeds from the Placing were approximately RMB23,633,000 (equivalent to HK$26,220,000) and the net proceeds were approximately RMB22,905,000 (equivalent to HK$25,410,000 and a net placing price of approximately HK$0.243 per placing share) (after deduction of commission and other expenses of the placing). The net proceeds from the Placing were used as (i) approximately RMB1,352,000 (equivalent to HK$1,500,000) for repayment of interest-bearing borrowings; (ii) approximately RMB8,032,000 (equivalent to HK$8,910,000) for general working capital of the Group; and (iii) approximately RMB13,521,000 (equivalent to HK$15,000,000) as part of deposit payment for a development project during the year.

For the details of the Placing, please refer to the announcements of the Company dated 15 January 2020 and 4 February 2020 respectively.

On 17 November 2020, the Company allotted and issued an aggregate of 126,362,155 shares at a subscription price of HK$0.168 per share to an independent third party for cash upon completion of the subscription pursuant to the subscription agreement dated 30 September 2020. The net proceeds of approximately RMB17,970,000 (equivalent to HK$21,128,000) received and approximately RMB4,678,000 (equivalent to HK$5,500,000) was used for loan financing business, approximately RMB1,276,000 (equivalent to HK$1,500,000) was used for general working of the Group; and the remaining proceeds of approximately RMB12,016,000 (equivalent to HK$14,128,000) will be used for general working capital, for improvement of the Company's professional technical services capabilities to facilitate the long term business development of the Group, and further investments of the Group as and when the opportunities arise. The closing market price of the Company's shares as at the issue date was HK$0.185 per share.

For the details of the subscription, please refer to the announcements of the Company dated 30 September 2020, 21 October 2020 and 17 November 2020 respectively.

Events after the Reporting Period

On 19 February 2021, the Company proposed to raise up to approximately HK$47,407,000 before expenses, by way of the rights issue (the "Rights Issue"), by issuing up to 395,061,466 rights shares (the "Right Share(s)") (assuming all outstanding Share Options are exercised in full on or before 24 March 2021 (the "Record Date"), but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue) at the subscription price of HK$0.12 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. The net proceeds from the Rights Issue after deducting the expenses, which will be borne by the Company, are estimated to be not more than approximately HK$46,200,000 (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue). Assuming the net proceeds from the Rights Issue will amount to approximately HK$46,200,000, the Company intends to apply such net proceeds as to approximately (i) 30% of net proceeds for the potential acquisitions, expansion and equipment purchase of the Group's software business in the future; (ii) 40% of net proceeds for loan financing business and securities investments business; and (iii) the remaining 30% of net proceeds for the Group's operating expenses and overheads, among which approximately 60% is for staff cost, approximately 4% is for rental payments, approximately 20% is for professional fees and the remaining 16% is for the general administrative expenses.

On 19 February 2021, the Company entered into an underwriting agreement (the "Underwriting Agreement") with VC Brokerage Limited (the "Underwriter") in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a best effort basis, the underwritten shares up to 395,061,466 Rights Shares (the "Underwritten Shares") (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

Save as disclosed above, there was no significant event which occurred after the year ended 31 December 2020 and up to the date of this report.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2020 (2019: Nil).

Acquisition and Disposal of Listed Securities

During the period from 4 March 2020 to 31 March 2020, the Company has acquired an aggregate of 26,340,000 shares of China Nuclear Energy Technology Corporation Limited ("China Nuclear") ("China Nuclear Share(s)") on the open market. The average price (exclusive of transaction costs) for each China Nuclear Share was approximately HK$0.389 and the total purchase price was approximately HK$10,255,000 (exclusive of transaction costs), which was the market price of the China Nuclear Shares paid in cash from the internal resources of the Company.

During the period from 27 November 2020 to 20 January 2021 (both dates inclusive), the Group disposed a total of 16,276,000 China Nuclear Shares at the price between HK$0.3654 and HK$0.6653 per China Nuclear Share, on the open market for an aggregate cash consideration of approximately HK$8,309,000.

Others

On 21 October 2020, Rentian Technology Holdings Limited ("Rentian") (stock code: 885), the controlling shareholder of the Company, was ordered to be wound up by the High Court of Hong Kong and an official receiver was appointed as the provisional liquidator of Rentian. Rentian was interested in 203,854,292 shares in the Company, equivalent to approximately 26.89% of the Company's issued share capital as of the date thereof.

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 2020.

Employees and Remuneration Policies

As at 31 December 2020, the Group employed 108 (2019: 116) full time employees. 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 2020, the Group had no significant contingent liabilities (2019: Nil).

Final Dividend

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

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB70,839,000 for the year ended 31 December 2020 (2019: RMB101,628,000), representing a decrease of approximately 30%. The decrease was mainly due to the decrease in revenue from the Group's software business as compared to the year ended 31 December 2019.

The revenue of the software business amounted to approximately RMB70,530,000 for the year ended 31 December 2020 (2019: RMB101,609,000), representing a decrease of approximately 31%. The decrease was mainly 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. In addition, the decrease was also due to the outbreak of COVID-19 in late 2019 and the ongoing epidemic which led to an overall erosion in market sentiment.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

We have an experienced technical team which can provide our clients with prompt and effective services and business solutions and we have established a solid client base over the years. 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 a significant market share and a strong brand effect in this area.

As impacted by the spreading of COVID-19, the economic conditions of Mainland China and the world slowed down sharply. Mainland China and many other countries implemented lockdowns and social distancing measures for protecting the society in response to the outbreak of COVID-19, which caused a plenitude of challenges and uncertainties in the global economic environment. To lower the negative impact from the outbreak of COVID-19, the Group's management has closely monitored the market conditions in the PRC and has put in place certain contingency measures such as remote working of employees. However, the impact of COVID-19 on economic activities was far beyond expectation and resulted in a decrease of 30% in the consolidated revenue of the Group for 2020 as compared with the same period in 2019. Despite the decrease in revenue, the Group is looking to improve its profit margin in the software maintenance services. Therefore, it is repositioning its products in terms of lowering the cost of sales.

In order to maintain the Group's sustainability and value creation capability over the long term, the Group will try to maintain its competitiveness through introduction of new products and services, and 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.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**70,839**	101,628	149,091	300,602	389,723
Cost of sales	**(53,261)**	(78,303)	(124,958)	(259,890)	(383,408)
Gross profit	**17,578**	23,325	24,133	40,712	6,315
Loss for the year	**(25,322)**	(104,119)	(39,055)	(97,712)	(305,284)
(Loss)/Profit attributable to non-controlling interests	**(8,489)**	(22,256)	(14,054)	4,474	15,725
Loss for the year attributable to equity shareholders of the Company	**(16,833)**	(81,863)	(25,001)	(102,186)	(321,009)
Basic and diluted loss per share (RMB)	**(0.026)**	(0.155)	(0.047)	(0.198)	(0.797)

* 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

	At 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**5,179**	14,374	41,749	38,554	105,634
Current assets	**185,346**	173,665	260,623	319,380	367,592
Current liabilities	**(31,653)**	(45,875)	(56,926)	(68,354)	(121,238)
Net current assets	**153,693**	127,790	203,697	251,026	246,354
Total assets less current liabilities	**158,872**	142,164	245,446	289,580	351,988
Non-current liability	**(771)**	(821)	–	–	(49)
Net assets	**158,101**	141,343	245,446	289,580	351,939
Total equity attributable to equity shareholders of the Company	**94,914**	69,628	151,499	181,070	257,585
Non-controlling interests	**63,187**	71,715	93,947	108,510	94,354
Total equity	**158,101**	141,343	245,446	289,580	351,939

	At 31 December				
	2020	2019	2018	2017	2016
Profitability ratios					
Return on shareholder's equity* *(Note 1)*	**(16.91%)**	(53.84%)	(14.60%)	(30.46%)	(69.74%)
Return on assets* *(Note 2)*	**(13.47%)**	(42.46%)	(11.83%)	(23.51%)	(53.13%)
Liquidity ratios					
Current ratio *(Note 3)*	**585.56%**	378.56%	457.83%	467.24%	303.20%
Receivables turnover days* *(Note 4)*	**107.52**	77.64	122.23	98.25	82.20
Inventory turnover days* *(Note 5)*	**6.42**	4.37	3.35	2.69	1.63
Payables turnover days* *(Note 6)*	**72.93**	59.36	26.64	34.44	41.96
Capital adequacy ratios					
Net gearing ratio *(Note 7)*	**N/A**	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 revenue 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 revenue, cost of sales and (loss)/profit for the year from both continuing and discontinued operations

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 Listing Rules as its own code of corporate governance. For the year ended 31 December 2020, 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.2.1, A.4.1, A.5.1 and D.1.4 of the CG Code, which are explained below.

Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the retirement of Mr. Lam Kai Tai ("Mr. Lam") as the chairman the Board (the "Chairman") with effective from the conclusion of the annual general meeting ("AGM") of the Company held on 28 May 2020 ("2020 AGM"), the role and functions of Chairman and the chief executive officer of the Company (the "Chief Executive Officer") have been performed by the executive Director. As it took time for the Company to identify a suitable candidate to perform the role of the Chairman and the Chief Executive Officer, the Chairman remained vacant until the appointment of Mr. Guan Huanfei as the Chairman on 2 June 2020. The Board will continually review its current structure and the need of appointment of a suitable person to perform the role of Chief Executive Officer.

Code provision A.4.1 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 ("Ms. Hu"), former independent non-executive Director who resigned on 17 June 2020, expired in year 2013 and thereafter she was not appointed for a specific term, but she was 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 A.5.1 stipulated that the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Ms. Hu as a member of the Nomination Committee on 17 June 2020, the composition of the Nomination Committee was also not in compliance with the code provision A.5.1 of the CG Code, until the Company appointed Mr. Cai as a member of the Nomination Committee on 24 August 2020.

Code provision D.1.4 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, the former chairman of the Board and executive Director who retired with effect from the conclusion of the 2020 AGM, and Ms. Hu. However, they were 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 2020.

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 2020.

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.

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

Executive Directors

Mr. Guan Huanfei *(Chairman)*
Ms. Mao Junjie

Independent Non-Executive Directors

Mr. Cai Jinliang
Mr. Hui Yat On

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 5 under the section headed "Biographies of Directors".

The Company failed to meet the requirement set out in Rule 3.10(1) of the Listing Rules that the Company must have at least three independent non-executive Directors following the resignation of Mr. Liu Jian as an independent non-executive Director on 25 March 2021.

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 2020 to the Company.

The individual training record of each Director received for the year ended 31 December 2020 is set out below:

Name of Director	**Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/ director's duties**
Executive Directors	
Mr. Guan Huanfei *(Chairman)*	✓
Ms. Mao Junjie	✓
Mr. Bai Xuefei (resigned on 28 January 2021)	N/A
Independent Non-executive Directors	
Mr. Cai Jinliang	✓
Mr. Liu Jian (resigned on 25 March 2021)	✓
Mr. Hui Yat On	N/A

Chairman and Chief Executive Officer

Mr. Guan Huanfei 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 and finance. 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 independence to the Company, and the Company considers each of them is independent under Rule 3.13 of the Listing Rules.

Mr. Cai Jinliang, an independent non-executive Director, was appointed for a term of three years from 24 August 2020. He is also subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Liu Jian, a former independent non-executive Director resigned with effect from 25 March 2021, was appointed for a term of three years from with retrospective effect from 19 January 2020. He is also subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Hui Yat On, an independent non-executive Director, was appointed for a term of three years from 11 January 2021. 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 Policy, as appropriate, to ensure its continued effectiveness from time to time.

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 2020, the Board held seven 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 20.

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 2020, one general meeting of the Company was held, being the 2020 AGM. The relevant Directors' attendance is shown on page 20.

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 one independent non-executive Director, namely Mr. Cai Jinliang, and one executive Director, namely Mr. Guan Huanfei.

Following the resignation of Mr. Liu Jian as an independent non-executive Director and cessation as the chairman of the Nomination Committee with effect from 25 March 2021, the Company deviates with code provision A.5.1 of the CG Code that the nomination committee should be chaired by an independent non-executive director and comprise a majority of independent non-executive directors.

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.

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 2020, 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 20.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 18 December 2006 and currently consists of one independent non-executive Director, namely Mr. Cai Jinliang, and one executive Director, namely Mr. Guan Huanfei.

Following the resignation of Mr. Liu Jian as an independent non-executive Director and cessation as the chairman of the Remuneration Committee with effect from 25 March 2021, the Company failed to meet the requirement set out in Rule 3.25 of the Listing Rules that the remuneration committee should be chaired by an independent non-executive director and comprise a majority of independent non-executive directors.

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.

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 2020, the Remuneration Committee held three meetings for reviewing the remuneration of Directors and senior management, reviewing the remuneration of the proposed Directors and the grant of share options. The relevant Directors' attendance is shown on page 20.

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 then prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 7 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 two independent non-executive Directors, namely Mr. Cai Jinliang (chairman) and Mr. Hui Yat On.

Following the resignation of Mr. Liu Jian as an independent non-executive Director and cessation as a member of the Audit Committee with effect from 25 March 2021, the Audit Committee comprises only two independent non-executive Directors, Mr. Cai Jinliang (chairman) and Mr. Hui Yat On, which failed to meet the requirement under Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members.

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 consolidated 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 2020, 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 20.

During the year ended 31 December 2020, 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.

MEETINGS ATTENDANCE RECORD

The following table summarises the attendance of the Directors and committee members in the respective Board, committee and general meetings held during the year ended 31 December 2020.

	Meetings attended/held in 2020				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Number of meetings held during the year	7	2	2	3	1
Executive Directors					
Mr. Guan Huanfei *(Chairman)* (Note 1)	2/2	N/A	N/A	1/1	N/A
Ms. Mao Junjie (Note 2)	N/A	N/A	N/A	N/A	N/A
Mr. Lam Kai Tai (Note 3)	4/4	N/A	1/1	1/1	1/1
Mr. Bai Xuefei (Note 4)	7/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Cai Jinliang (Note 5)	2/2	1/1	N/A	N/A	N/A
Ms. Hu Gin Ing (Note 6)	5/5	1/1	2/2	2/2	1/1
Mr. Li Wai Kwan (Note 7)	7/7	2/2	2/2	3/3	1/1
Mr. Liu Jian (Note 8)	7/7	2/2	2/2	3/3	1/1

Notes:

1. Mr. Guan Huanfei was appointed on 2 June 2020, and 2 Board meetings and one Remuneration Committee meeting were held after his appointment.

2. Ms. Mao Junjie was appointed on 31 December 2020, and no Board meeting was held after her appointment.

3. Mr. Lam Kai Tai retired upon conclusion of the 2020 AGM, and 4 Board meetings, 1 Nomination Committee meeting, 1 Remuneration Committee meeting and 1 general meeting were held before his retirement.

4. Mr. Bai Xuefei resigned on 28 January 2021, and 7 Board meetings and 1 general meeting were held before his resignation.

5. Mr. Cai Jinliang was appointed on 24 August 2020, and 2 Board meetings and 1 Audit Committee meeting were held after his appointment.

6. Ms. Hu Gin Ing resigned on 17 June 2020, and 5 Board meetings, 1 Audit Committee meeting, 2 Nomination Committee meetings, 2 Remuneration Committee meetings and 1 general meeting were held before her resignation.

7. Mr. Li Wai Kwan resigned on 12 October 2020, and 7 Board meetings, 2 Audit Committee meetings, 2 Nomination Committee meetings, 3 Remuneration Committee meetings and 1 general meeting were held before his resignation.

8. Mr. Liu Jian resigned on 25 March 2021, and 7 Board meetings, 2 Audit Committee meetings, 2 Nomination Committee meetings, 3 Remuneration Committee meetings and 1 general meeting were held before his resignation.

AUDITOR'S REMUNERATION

During 2020, the fee paid/payable to the Company's external auditor, Mazars CPA Limited, for providing audit services and non-audit services were approximately RMB625,000 and RMB267,000 respectively. Fees for non-audit services consist of review of disclosure of financial information in 2020 interim report.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Yuen Ying Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Ms. Mao Junjie, the executive Director, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2020.

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.

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 former chairlady of the Audit Committee, and Mr. Liu Jian, the former chairman of each of the Remuneration Committee and the Nomination Committee, attended the 2020 AGM to answer questions of the meeting and collect views of Shareholders.

DIVIDEND POLICY

The Board adopted the following Dividend Policy on 27 March 2020:

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 CONSOLIDATED 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 financial position of the Group and the Company and of its financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2020, 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 has been established under the Board, which is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

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.

During the year, an external consulting firm has been engaged by the Group to advise on and review risk management and internal control of the Group and provide recommendations on improvement to the Audit Committee. No significant deficiency and weakness on the internal control system has been identified for the year ended 31 December 2020 and the Company agrees with the recommendation provided by the consulting firm and therefore will adopt the practice in the coming year.

The Board considered that, for the year ended 31 December 2020, 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 2020.

ABOUT THIS REPORT

The Environmental, Social and Governance ("ESG") Report ("Report") of the Group has made reference to the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx Appendix 27 ESG Reporting Guide"), and compile the report content in accordance with the principles of materiality, quantitative, balance and consistency.

The scope of this Report is based on the Group and its all business segment in Hong Kong, Beijing, Shanghai, Chengdu and Guangzhou. There were no significant changes observed in the Group's operating locations, the suppliers' location and supply chain structure in the financial year ended 31 December 2020 ("Year" or "Reporting Period").

REPORTING PERIOD AND SCOPE

The statistics, figures and information cited in this Report are referenced from the archived questionnaires, records and research of the Group. This Report highlights the Group's sustainability efforts in environmental and social aspects.

Reporting period: 1 January 2020 to 31 December 2020, the financial period of our Annual Report 2020.

Organisations covered: The Group and its subsidiaries.

The reporting boundaries are determined by whether the subsidiaries are contributing to the operating business of the Group. In 2020, all subsidiaries and business entities of the Group are included in the ESG Report.

REFERENCE GUIDELINES

HKEx Appendix 27 ESG Reporting Guide

CONTACT

Should you have any enquiries or feedback on this Report, please feel free to contact us via the following methods:

- Address: Flat B, 11/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong
- Tel: +852 3707 1901
- Fax: +852 3611 6041
- Official website: http://www.1808.com.hk/en/global/home.php

CORE VALUES/MANAGEMENT PRINCIPLES

As a listed company engaging in software business, the Group has the obligation to serve the society responsibly. The Group has started to integrate sustainable development during the business decision making process. Policies and guidelines are well-established internally to manage different aspects of ESG issues the Group's facing during operation. Moreover, the current management structure ensures the common principles of ESG management are adhered across the Group.

STAKEHOLDER IDENTIFICATION AND COMMUNICATION

To further improve the sustainable development strategy, the Group engages with the key stakeholders regularly to understand their concerns. During the past few years, the Group has maintained good relationship with the stakeholders which allows us to fully understand the risks and opportunities of our business. The following table sets forth the key methods for communicating with internal and external stakeholders of the Group:

	Types of stakeholders	Key issues	Major communication method
Internal stakeholders	Directors	– Risk management	– Consultation via phone calls and emails – Direct communication – Company conferences – Suggestion box
	Employees	– Vocational training and development – Salaries and benefits – Health and safety	– Consultation via phone calls and emails – Direct communication – Company conferences – Suggestion box
External stakeholders	Shareholders/investors	– Stable return on investment – Transparency of information disclosure	– Annual general meeting – Consultation via phone calls and emails
	Suppliers/customers	– Performance of contract – Standardised supply chain management system and procurement process – Establishment of complaint system	– Annual report – Meetings
	Distributors	– Well-established information exchange system – Steady and stable supply of products	– After-sales opinion box – Consultation via phone calls and emails – Meetings
	Government	– Business operation in compliance with relevant laws and regulations	– Annual report – Meetings
	Community/academic institutions	– Contributions to community development	– Annual report – Community service

ENVIRONMENTAL PERFORMANCE

Due to the business nature of the Group, the principal business of the Group does not have a great impact to the environment. However, the Group still keeps exploring any measures to further keep its environmental performance.

The major business of the Group did not have a material change during the Reporting Period. Vehicles and electricity remain the major of source of environmental impact from the Group. Minimal amount of waste was produced which are all non-hazardous. Nonetheless, the Group has paid great effort in reducing its environmental impact every year.

The Group strictly complies with the PRC and Hong Kong national laws and regulations, and duly implements environmental protection management policies of local governments at all levels, the Group's system management document requirements, and actively fulfils the Group's environmental protection social responsibility. For examples, the Environmental Protection Law, the Prevention and Control of Atmospheric Pollution, the Regulation on Urban Drainage and Sewage Treatment laws in the PRC.

During the Reporting Period, no material changes have been made to the Group's major business and the Group has complied with the latest environmental regulations.

1. Emissions

The Group strictly complies with all relevant national and local laws and regulations to control all types of emission from its business operation.

1.1. Gas Emission

The Group does not product significant amount of gaseous pollutants. Vehicular emission is the major gas mission from the Group. In 2020, the Hong Kong unit of the Group has acquired an automobile and therefore there was an increase in gas emission in 2020.

For greenhouse gases, the Group is trying to identify more measures and energy-saving initiatives to reduce its carbon footprint. The Group is well aware electricity consumption is the major source of its carbon footprint, and several energy-saving measures are being adopted in the office. The major measures are listed below:

- All departments to manage their power consumption of air-conditioners, and to monitor departmental staff to switch off all electrical equipment and production facilities during breaks and after work; and

- Set up ventilation and air-conditioning system and maintain at 25 degrees Celsius.

Major Gas Emission Indicators

GHG Emission[1]	Unit	2020 PRC	2020 HK	2020 Total	2019 Total
Nitrogen oxides (NO_x)	kg	2.34	4.15	**6.49**	2.09
Sulphur dioxide (SO_2)	kg	0.04	0.07	**0.11**	0.46
Particular matter (PM)	kg	0.17	0.31	**0.48**	0.39
Scope 1[2]	Tonnes of CO_2-e	7.14	12.77	**19.91**	13.51
Scope 2[3]	Tonnes of CO_2-e	28.73	8.05	**36.78**	27.02
Total	**Tonnes of CO_2-e**	**35.84**	**20.82**	**56.66**	**40.53**
GHG Emission	Tonnes of CO_2-e/m^2	0.029	0.173	**–**	–

Notes:

1. The calculation of the greenhouse gas emission is based on the Corporate Accounting and Reporting Standard from greenhouse gas protocol.

2. Scope 1: Direct emission from sources that are owned or controlled by the Group.

3. Scope 2: Indirect emission from the generation of purchased electricity consumed by the Group.

1.2 Waste Management

The Group does not generate any types of hazardous waste during operation. The major source of non–hazardous comes from the office waste. The Group has implemented measures to minimize the waste generation amount and the waste generated in 2020 was in a very low level. Relevant data is expected to report in next year's report.

For wastewater, water is not the major production resource, the Group generates minimal amount of wastewater. Nevertheless, the Group strictly complied with all relevant laws and regulations.

The Group continued to implement and regularly review the established waste management system to ensure the proper handling of different types of hazardous and non-hazardous waste. The Group promotes the recycle and reuse of used office documents to reduce the generation of non-hazardous waste. The major measures are listed below:

- Promote "paper-free" office and encourage staff to reduce printing demands;

- Encourage material and stationery re-use and choosing suitable packaging materials;

- Reduce the use of paper cup in pantry and promote the use of environment friendly cleaning products; and

- Promote waste segregation and recycling within the office to further reduce the generation of general waste.

2. Use of Resources

The Group strives to reduce the use of resources and enhance the resource utilization by implementing energy and water efficiency initiatives. The Group actively encourages the employees to be part of the resource saving program.

For energy consumption, the Group aims at eliminating "vampire power" by unplugging unused electronic device. The employees are advised to shut doors and close curtains in office to enhance the heat insulation effect to reduce the cost of air conditioning. Moreover, the air-conditioning system is set to 25 degree Celsius which is considered to be the most energy-efficient level. For transportation, employees are encouraged to adopt "carpooling" to reduce the use of the Group's vehicles.

Most of the business operation in the PRC and in Hong Kong are located in commercial buildings which is managed by third party property management service providers. Water consumption data is not feasible to obtain in such subsidiaries in 2020 as the Group cannot access the water usage record. However, the Group regularly raise employees' awareness on water usage and advise them to reduce unnecessary water consumption during daily operation.

Resource Consumption	Unit	2020 PRC	2020 HK	2020 Total	2019 Total
Purchased Electricity	Kilowatt Per Hour In '000s	34.34	10.06	**44.40**	55.69
Petrol	Kilowatt Per Hour In '000s	23.47	41.97	**65.44**	55.06
Total	**Kilowatt Per Hour In '000s**	**57.81**	**52.03**	**109.88**	**110.75**
Energy Consumption intensity	Kilowatt Per Hour In '000s/m^2	0.05	0.44	**–**	PRC:0.08 HK:0.10
Water	m^3	2,922.72	–	**2,922.72**	2,570.11
Water consumption intensity	m^3/m^2	12.51	–	**–**	PRC:11 HK:–

3. The Environment and Natural Resources

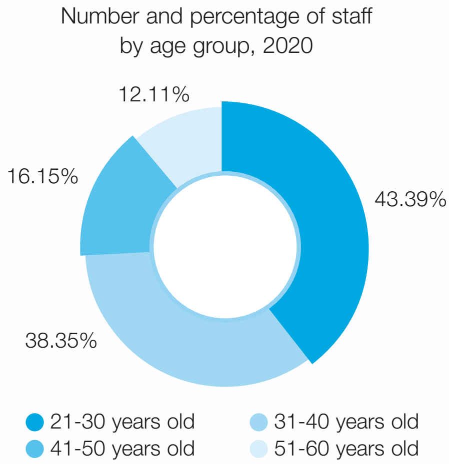
The Group strives to minimize the impact of the business operation to the environment and natural resources. During daily operation, all environmental protection measures are under supervision to ensure proper implementation. The Group also constantly explore any potential emission reduction measures day-to-day.

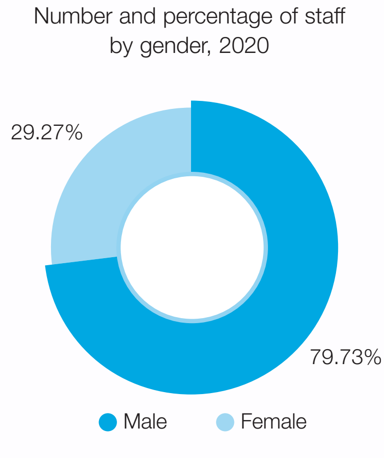
SOCIAL PERFORMANCE

1. Employment

The Group has employed 108 full-time employees in 2020. All employment are strictly complied with national regulations, such as *the Employment Ordinance in Hong Kong, the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees* and local labour laws and regulations, and we use such laws and regulations to formulate the Group's policies and work codes. The Group ensures all our employee are full protected in terms of compensation and benefits, recruitment and promotion, working hours, rest periods, entitled leaves, equal opportunity, diversity, anti-discrimination, staff training, attendance and performance.

Major indicators for employment





The employee turnover rate during the Reporting Period by gender, age group, and geographical region as follow:

Employee turnover rate	2020	2019
By gender		
– Male	35%	38%
– Female	19%	54%
By age group		
– Age 30 or below	37%	52%
– Age 31-40	28%	40%
– Age 41-50	33%	36%
– Age 51 or above	–	13%
By geographical region		
– Hong Kong	36%	100%
– The PRC	31%	38%
– Others	–	–
– Overall	31%	42%

The Group organises wide range of activities, such as team building activities and annual dinner, to boost the morale of the employees and maintain a work-life balance for them. The Group strives to provide suitable benefits and support to the staff in order to retain talents for our business.

2. Health and Safety

Safe and comfortable working environment is the Group's top priority and the Group strictly complies with *the Labour Law of the PRC, the Prevention and Control of Occupational Diseases of the PRC, the Fire Control Law of the PRC, Measures for the Determination of Work-related Injuries* and relevant local laws and regulations. To provide a low-risk working environment for the staffs, the Group has implemented various measures, such as medical insurance scheme, regular maintenance on the air ventilation system to reduce indoor air quality. All firefighting and safety equipment are placed in the office.

During the Reporting Period, the Group has no work-related fatalities and injuries recorded.

3. Development and Training

The Group aims to provide continuous training to our people, in order to facilitate their career and personal development, as well as to maintain an efficient and effective workforce for our business. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Based on the business vision and objectives of the Group and assessment of the performance and capability of employees, training topics include updates on rules and regulations, technical knowledge, management skills to customer service standards. We also encourage our staff to discuss their learning plans with their supervisors during the performance evaluation process and we provide financial subsidies for employees to attend external training courses, where appropriate.

During the Reporting Period, the percentage of employee trained and the average training hours completed per employee by employee category are as follows:

Major indicators for development and training

Training	Percentage of employees trained (%)		Average training hours (hours/employees)	
	2020	2019	**2020**	2019
By employment category				
– Senior Management	**50%**	–	**15**	–
– Middle Management	**24%**	50%	**48**	13
– General	**40%**	24%	**77**	8

4. Labour Standards

The Group does not engage in or tolerate any use of child or forced labor in its operations. All employees are hired in strict compliance with local labour laws and regulations, including the minimum working age requirement. Employment is offered based on the principles of fairness, openness and willingness. All positions are bound by legal contracts with detail terms and conditions of employment to protect employees' and the Company's interests.

The Group fully complies with the Labour Contract Law of the PRC and strictly emphasizes on the prohibition of child labour and forced labour. In particular, 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 works 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.

During the Reporting Period, the Group were not aware of any material cases of non-compliance with laws and regulations relating to labor standards arising in the Reporting Period that would have had a significant impact on the Group.

5. Supply Chain Management on Environmental and Social Risks

The Group has established a fair and transparent supplier selection process with independent review and approval for procurement exercises, and does not tolerate any fraud and bribery in our supply chain. The Group is committed to establishing a comprehensive vertical supply chain management system. The supply chain management system includes regular evaluation of suppliers' performance and requires the suppliers to take remedial measures where this performance is sub-standard. The management system is crucial for the Group the build long-term and stable strategic partnership with our suppliers.

Distribution of suppliers by regions

Region	Number of suppliers
Northern China	20
Eastern China	12
Southern China	5
Central China	1
Southwestern China	3
Northwestern China	1

6. Product Responsibility

Quality of products and services and business ethics are the topic priority of the Group. The Group does not engage in unfair business activities of any kind. Its procurement and service delivering processes ensure information regarding products and services are clear and open.

The Group has ISO 9001 quality management system demonstrating its commitment to quality and its capability to satisfy customer's requirements. The Group also has ISO 2000 international standards for IT service management showing its commitment to provide quality services to customers.

The Group focuses on catering customer needs, providing customers with the most suitable and high quality and service products. We implement all relevant and necessary measures to uphold our commitment, aiming at providing the best services to customers. The Group is also committed to protecting the confidentiality of the personal data and privacy of customers. We put personal data privacy as our top priority. The Group only collects information which we consider necessary for our operations. The data collected will be used directly for the purposes as stated at the time such data is collected. The Group's requirements are conveyed to employees clearly by entering an agreement with the employees in order to fully abide by the guidance on prohibiting any unauthorized accessing or disclosure of confidential information. Employees who violate the agreement will be subject to disciplinary action as defined in Staff Handbook.

During the Reporting Period, the Group did not receive any compliant regarding product responsibility.

7. Anti-Corruption

The Group has no tolerance in any form of corruption, bribery, extortion, fraudulent behavior and money laundering. The Group has designed and implemented various internal controls to minimize the occurrence of bribery, extortion, fraud and money-laundering. The requirements for employees' ethical requirements and conduct are stipulated in the employee handbook, which is distributed and communicated to all employees. 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 has also established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, training is regularly provided to management and employees in order to equip them with an understanding of the latest regulations and best practices relating to anti-bribery, extortion, fraud and money-laundering matters.

The Group is in strict compliance with the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and other applicable laws and regulations. The Group is not aware of any cases of material non-compliance with laws and regulations relating to bribery, extortion, fraud and money-laundering arising during the Reporting Period that would have had a significant impact on the Group.

8. Community Investment

The Group places high priority in creating value for the communities it serves and encourages its employees to actively participate in sponsorships and charitable support through direct donation or involvement in various community and charitable activities to support those in need. The Group is committed to providing career opportunities to the locals and promoting the development of community's economy. Going forward, the Group is looking for opportunities to contribute to the community.

CONTENT INDEX

ESG Reporting Guidelines Aspects		Description	Pages/Remarks
A. Environmental			
Aspect A1：Emissions			
General Disclosure	A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	27-28
KPI	A1.1	The types of emissions and respective emissions data	27-28
	A1.2	Greenhouse gas emissions in total and intensity	28
	A1.3	Total hazardous waste produced and intensity	28
	A1.4	Total non-hazardous waste produced and intensity	28
	A1.5	Description of measures to mitigate emissions and results achieved	28
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	28
Aspect A2: Use of Resources			
General Disclosure	A2	Policies on the efficient use of resources, including energy, water and other raw materials	29
KPI	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity	29
	A2.2	Water consumption in total and intensity	29
	A2.3	Description of energy use efficiency initiatives and results achieved	29
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	29
	A2.5	Total packaging material used for finished products	29
Aspect A3: The Environment and Natural Resources			
General Disclosure	A3	Policies on minimizing the issuer's significant impact on the environment and natural resources	29
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	29

ESG Reporting Guidelines Aspects		Description	Pages/Remarks
B. Social			
Employment and Labour Practices			
Aspect B1 :Employment			
General Disclosure	B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	30
KPI	B1.1	Total workforce by gender, employment type (for example, full-or part time), age group and geographical region	30
	B1.2	Employee turnover rate by gender, age group and geographical region	30
Aspect B2: Health and Safety			
General Disclosure	B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	31
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	31
	B2.2	Lost days due to work injury	31
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	31
Aspect B3: Development and Training			
General Disclosure	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	31
KPI	B3.1	The percentage of employees trained by gender and employee category	31
	B3.2	The average training hours completed per employee by gender and employee category	31

ESG Reporting Guidelines Aspects		Description	Pages/Remarks
Aspect B4: Labour Standards			
General Disclosure	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	31
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labour	31-32
	B4.2	Description of steps taken to eliminate such practices when discovered	31-32
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	B5	Policies on managing environmental and social risks of the supply chain	32
KPI	B5.1	Number of suppliers by geographical region	32
Aspect B6: Product Responsibility			
General Disclosure	B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress	32
Aspect B7: Anti-corruption			
General Disclosure	B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	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 cases	33
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	33
	B7.3	Description of anti-corruption training provided to directors and staff.	33
Aspect B8: Community Investment			
General Disclosure	B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	33

The Board of Directors is pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 13 to the consolidated financial statements.

BUSINESS REVIEW

"Management Discussion and Analysis" on pages 6 to 10 and "Five-Year Summary and Key Financial Ratios" on pages 11 and 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 25 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 28 to the consolidated financial statements.

Environmental Policies and Performance

The Group recognises 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 2020 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 2020, 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 2020 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 52 to 126.

DIVIDENDS

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

DISTRIBUTABLE RESERVES

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB457,000 (2019: RMB33,269,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 24(a) 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 2020, 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 to this report.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2019: Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 11 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Guan Huanfei *(Chairman)*	(appointed on 2 June 2020)
Ms. Mao Junjie	(appointed on 31 December 2020)
Mr. Lam Kai Tai	(retired upon conclusion of the 2020 AGM)
Mr. Bai Xuefei	(resigned on 28 January 2021)

Independent Non-executive Directors

Mr. Cai Jinliang	(appointed on 24 August 2020)
Mr. Hui Yat On	(appointed on 11 January 2021)
Ms. Hu Gin Ing	(resigned on 17 June 2020)
Mr. Li Wai Kwan	(resigned on 12 October 2020)
Mr. Liu Jian	(resigned on 25 March 2021)

In accordance with Article 86(3) of the Articles, Mr. Guan Huanfei, Ms. Mao Junjie, Mr. Cai Jinliang and Mr. Hui Yat On, being Directors appointed after the annual general meeting of the Company held on 28 May 2020, shall retire from office as Directors and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "2021 AGM").

DIRECTORS' SERVICE CONTRACTS

Mr. Guan Huanfei, chairman of the Board and an executive Director, entered into a service contract with the Company on 2 June 2020 for a term of three years commencing from 2 June 2020. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Ms. Mao Junjie, an executive Director, entered into a service contract with the Company on 31 December 2020 for a term of three years commencing from 31 December 2020. She is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Cai Jinliang, an independent non-executive Director, entered into a service agreement with the Company on 24 August 2020 for a term of three years commencing with effect from 24 August 2020. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Liu Jian, a former independent non-executive Director resigned on 25 March 2021, entered into a service agreement with the Company on 27 March 2020 for a term of three years commencing with retrospective effect from 19 January 2020. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Hui Yat On, an independent non-executive Director, entered into a service contract with the Company on 11 January 2021 for a term of three years commencing from 11 January 2021. 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 2021 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, there was no other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year.

SHARE OPTION SCHEME

The Company has adopted the share option scheme at the annual general meeting of the Company held on 26 May 2016 (the "Share Option Scheme"). The purpose of the Share Option 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. On 1 September 2020, the Company has offered to grant an aggregate of 38,250,000 Share Options to nine eligible participants (the "Grantees"), subject to the acceptance of the Grantees, to subscribe for up to an aggregate of 38,250,000 ordinary shares of the Company (the "Share(s)") of HK$0.10 each in the share capital of the Company under the Share Option Scheme.

The principal terms of the Share Option 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 Share Option 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 Share Option 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 Share Option 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 Share Option Scheme is 3,542,498 shares, representing approximately 0.47% 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 Share Option 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. 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.

5. The 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 Share Option 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 Share Option Scheme are set out in the circular of the Company dated 25 April 2016.

Details of the movement in the share options granted under the Share Option Scheme during the year ended 31 December 2020 are as follows:

Category of participants	Date of grant of share option	Exercise Period	Exercise Price (HK$)	Outstanding as at 1 January 2020	Exercised/ cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2020
Directors and Employees	1 September 2020	1 December 2020 to 31 August 2030	0.2122	–	–	–	38,250,000

As at 31 December 2020, the Company had 38,250,000 share options outstanding under the Scheme, which represented approximately 5.05% of the Shares in issue as at 31 December 2020.

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 EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company 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 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 as set out in Appendix 10 to the Listing Rules, are set out below:

Name of Director	Capacity	Long Position/ Short Position	Number of shares held/ Percentage in total number of issued shares
Mr. Guan Huanfei (Note 1)	Beneficial Owner	Long Position	200,000 (0.03%)
Mr. Bai Xuefei (Note 2)	Beneficial Owner	Long Position	6,300,000 (0.99%)

Notes:

1. 200,000 Share Options were granted to Mr. Guan Huanfei on 1 September 2020 pursuant to the Share Option Scheme. Therefore, under Part XV of the SFO, Mr. Guan Huanfei is taken to be interested in the underlying shares that he is entitled to subscribe for subject to the exercise of and/or the validity period of the Share Options granted.

2. 6,300,000 Share Options were granted to Mr. Bai Xuefei (resigned on 28 January 2021) on 1 September 2020 pursuant to the Share Option Scheme. Therefore, under Part XV of the SFO, Mr. Bai Xuefei is taken to be interested in the underlying shares that he is entitled to subscribe for subject to the exercise of and/or the validity period of the Share Options granted.

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2020.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2020, 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	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)	Person having a security interest in shares	Long Position	203,854,292 (26.89%)
Taiping Financial Holdings Company Limited (Note 1)	Person having a security interest in shares	Long Position	203,854,292 (26.89%)
China Insurance Group Finance Company Limited ("China Insurance") (Note 1)	Person having a security interest in shares	Long Position	203,854,292 (26.89%)
King Pak Fu ("Mr. King") (Note 2)	Interest of controlled corporations	Long Position	278,351,792 (36.71%)
		Short Position	203,854,292 (26.89%)
Luck Success Development Limited ("Luck Success") (Note 2)	Beneficial owner	Long Position	186,672,292 (24.62%)
		Short Position	186,672,292 (24.62%)
Rentian Technology Holdings Limited ("Rentian") (Note 2)	Interest of controlled corporations	Long Position	203,854,292 (26.89%)
		Short Position	203,854,292 (26.89%)
Zhongwei Group (Hong Kong) Company Limited (Note 3)	Beneficial Owner	Long Position	126,362,155 (16.67%)
Han Lili (Note 3)	Interest of controlled corporation	Long Position	126,362,155 (16.67%)

Notes:

1. 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.

2. 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) 3,846,000 Shares held through Mystery Idea Limited ("Mystery Idea"); (iii) 10,216,000 Shares held through Elite Mile Investments Limited ("Elite Mile"); (iv) 17,182,000 Shares held through Sino Wealthy Limited ("Sino Wealthy"); and (v) 186,672,292 Shares held through Luck Success. Each of Affluent Start, Mystery Idea and Elite Mile is wholly-owned by Mr. King. Sino Wealthy is wholly-owned by Gauteng Focus Limited which is wholly-owned by Rentian (in liquidation), the latter is indirectly controlled by Mr. King.

3. Zhongwei Group (Hong Kong) Company Limited beneficially owns 126,362,155 Shares and is wholly-owned by Han Lili. Therefore, Han Lili is deemed to be interested in the number of Shares held by Zhongwei Group (Hong Kong) Company Limited pursuant to the SFO.

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 2020.

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 2020.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2020 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2020 are set out in note 22 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year ended 31 December 2020 are set out in note 7 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 approximately 48% in value of total purchases during the year ended 31 December 2020, while contracts with the Group's largest supplier by value, accounted for approximately 33% in value of total purchases during the year ended 31 December 2020. Aggregate sales attributable to the Group's five largest customers were less than 35% of total revenue during the year ended 31 December 2020.

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.

CONNECTED TRANSACTIONS

There were no connected transactions during the year ended 31 December 2020.

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 2020, total staff costs for the year was approximately RMB27,082,000 of which contributions to defined contribution retirement schemes were approximately RMB1,880,000. 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.

Following the resignation of Mr. Liu Jian as an independent non-executive Director and cessation as a member of the Audit Committee with effect from 25 March 2021, the Audit Committee comprises only two independent non-executive Directors, Mr. Cai Jinliang (chairman) and Mr. Hui Yat On, which failed to meet the requirement under Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the remaining two members of the Audit Committee.

AUDITORS

HLB Hodgson Impey Cheng Limited resigned as auditor of the Company on 13 December 2019, and Mazars CPA Limited was appointed as auditor of the Company to fill the vacancy with effect from 13 December 2019. The consolidated financial statements of the Group for the years ended 31 December 2019 and 2020 were audited by Mazars CPA Limited.

Save as aforesaid, there is no change in auditor during the past three years.

A resolution will be submitted to the 2021 AGM to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board
Enterprise Development Holdings Limited

Guan Huanfei
Chairman

Hong Kong, 30 March 2021

mazars

42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

Tel 電話: +852 2909 5555
Fax 傳真: +852 2810 0032
info@mazars.hk
www.mazars.hk

To the shareholders of Enterprises Development Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Enterprises Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 52 to 126, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "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 International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (the "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 MATTERS (cont'd)

Key audit matters identified in our audit are summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment review of intangible assets	
Refer to notes 2 and 12 to these consolidated financial statements	
The carrying amount of the Group's intangible assets amounted to RMB9,384,000 before the impairment charge for the year as at 31 December 2020. For the purpose of assessing impairment, the intangible assets, (except trademarks), are allocated to relevant cash-generating unit ("CGU"). The recoverable amount of CGU is determined by management based on value-in-use ("VIU") calculations using cash flow projections while the recoverable amount of trademark is determined based on relief-from-royalty method. Management has recognised an impairment provision of RMB8,215,000 in respect of the intangible assets for the year ended 31 December 2020. This is considered a key audit matter because of the significance of amounts involved and management judgment with respect to the key assumptions, including revenue growth and discount rates.	Our procedures, among others, included: – Assessing the competence, capabilities, objectivity and results of the work of independent professional valuer that was appointed by the management and assisted management to determine the recoverable amounts; – Evaluating the appropriateness of the model used by the management; – Evaluating the composition of the Group's future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing them to the latest approved budgets; – Evaluating the determination of the recoverable amount; – Evaluating the reasonableness of key assumptions based on our knowledge of the business and industry; and – Evaluating the adequacy of sensitivity analysis.

KEY AUDIT MATTERS (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit loss ("ECL") on trade and other receivables	
Refer to notes 2, 19 and 28(a) to these consolidated financial statements	
At the end of each reporting period, where appropriate, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the end of reporting period and the date of initial recognition. The Group considers both quantitative and qualitative information, including historical experience and forward-looking information that is available without undue cost or effort. This is considered a key audit matter because of the significance of trade and other receivables and the assessment of ECL for trade and other receivables involves significant management judgements and estimates at the reporting date.	Our procedures, among others, included: – Obtaining an understanding of the Group's credit risk management and practices, and assessing if the Group's ECL policy is in accordance with the requirements of IFRS 9; – Evaluating management's method for determination of significant increase in credit risk and the basis for classification of exposures into different stages; – Evaluating the estimation methodology of ECL; and – Considering the adequacy of the Group's disclosure in relation to credit risk.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in 2020 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 skepticism throughout the audit. We also:

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

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

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2021

The engagement director on the audit resulting in this independent auditor's report is:

Chan Hiu Fun
Practising Certificate number: P05709

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	3(a)	**70,839**	101,628
Cost of sales		**(53,261)**	(78,303)
Gross profit		**17,578**	23,325
Other income and gains	4	**862**	234
Distribution expenses		**(19,486)**	(22,837)
General and administrative expenses		**(17,305)**	(21,867)
Other operating expenses		**(7)**	(50)
Change in fair value of financial assets at fair value through profit or loss ("FVPL")	17	**3,696**	–
Loss allowance on trade and other receivables, net		**(975)**	(23,576)
Impairment on prepayment made to suppliers		**–**	(27,150)
Impairment on intangible assets	12	**(8,215)**	(12,446)
Impairment on goodwill		**–**	(19,541)
Loss from operation		**(23,852)**	(103,908)
Finance costs	5(a)	**(1,223)**	(1,655)
Loss before taxation	5	**(25,075)**	(105,563)
Income tax (expense) credit	6	**(247)**	1,444
Loss for the year		**(25,322)**	(104,119)
Attributable to:			
Equity shareholders of the Company		**(16,833)**	(81,863)
Non-controlling interests		**(8,489)**	(22,256)
Loss for the year		**(25,322)**	(104,119)
		RMB	RMB
Basic and diluted loss per share	10	**(0.026)**	(0.155)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Loss for the year	**(25,322)**	(104,119)
Other comprehensive (loss) income for the year (after tax)		
Items that are or may be reclassified to profit or loss:		
Exchange difference on translation of financial statements of overseas operations	**(1,555)**	16
	(1,555)	16
Total comprehensive loss for the year	**(26,877)**	(104,103)
Attributable to:		
Equity shareholders of the Company	**(18,349)**	(81,871)
Non-controlling interests	**(8,528)**	(22,232)
Total comprehensive loss for the year	**(26,877)**	(104,103)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	11	**1,022**	432
Intangible assets	12	**1,169**	10,462
Right-of-use assets	14	**2,642**	3,134
Goodwill	15	**–**	–
Deferred tax assets	23	**346**	346
		5,179	14,374
Current assets			
Inventories	16	**937**	937
Financial assets at FVPL	17	**10,236**	–
Contract assets	18	**12,822**	16,464
Trade and other receivables	19	**61,429**	91,498
Cash and cash equivalents	20	**99,922**	64,766
		185,346	173,665
Current liabilities			
Trade and other payables	21	**10,104**	23,460
Contract liabilities	18	**6,801**	1,042
Lease liabilities	14	**1,637**	2,378
Interest-bearing borrowings	22	**9,818**	16,214
Current taxation		**3,293**	2,781
		31,653	45,875
Net current assets		**153,693**	127,790
Total assets less current liabilities		**158,872**	142,164
Non-current liability			
Lease liabilities	14	**771**	821
NET ASSETS		**158,101**	141,343
Capital and reserves			
Share capital	24(a)	**64,905**	44,711
Reserves	24(b)	**30,009**	24,917
Total equity attributable to equity shareholders of the Company		**94,914**	69,628
Non-controlling interests		**63,187**	71,715
TOTAL EQUITY		**158,101**	141,343

These consolidated financial statements on pages 52 to 126 were approved and authorised for issue by the Board of Directors on 30 March 2021 and signed on its behalf by

Guan Huanfei	**Mao Junjie**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to the equity shareholders of the Company									
	Share capital RMB'000 (Note 24(a))	Share premium RMB'000 (Note 24(b)(i))	Other reserve RMB'000 (Note 24(b)(ii))	Share-based payment reserve RMB'000 (Note 24(b)(iii))	PRC statutory reserve RMB'000 (Note 24(b)(iv))	Exchange reserve RMB'000 (Note 24(b)(v))	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	44,711	530,446	(8,440)	–	8,483	22,997	(446,698)	151,499	93,947	245,446
Loss for the year	–	–	–	–	–	–	(81,863)	(81,863)	(22,256)	(104,119)
Other comprehensive (loss) income for the year (after tax):										
Items that are or may be reclassified to profit or loss:										
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	(8)	–	(8)	24	16
	–	–	–	–	–	(8)	–	(8)	24	16
Total comprehensive loss for the year	–	–	–	–	–	(8)	(81,863)	(81,871)	(22,232)	(104,103)
At 31 December 2019	44,711	530,446	(8,440)	–	8,483	22,989	(528,561)	69,628	71,715	141,343
At 1 January 2020	44,711	530,446	(8,440)	–	8,483	22,989	(528,561)	69,628	71,715	141,343
Loss for the year	–	–	–	–	–	–	(16,833)	(16,833)	(8,489)	(25,322)
Other comprehensive loss for the year (after tax):										
Items that are or may be reclassified to profit or loss:										
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	(1,516)	–	(1,516)	(39)	(1,555)
	–	–	–	–	–	(1,516)	–	(1,516)	(39)	(1,555)
Total comprehensive loss for the year	–	–	–	–	–	(1,516)	(16,833)	(18,349)	(8,528)	(26,877)
Transactions with owners:										
Contributions and distributions:										
Issue of new shares, net of expenses (note 24(a)(i))	9,492	13,413	–	–	–	–	–	22,905	–	22,905
Issue of new shares, net of expenses (note 24(a)(ii))	10,702	7,268	–	–	–	–	–	17,970	–	17,970
Equity-settled share-based payments (note 25)	–	–	–	2,760	–	–	–	2,760	–	2,760
Total transactions with owners	20,194	20,681	–	2,760	–	–	–	43,635	–	43,635
At 31 December 2020	64,905	551,127	(8,440)	2,760	8,483	21,473	(545,394)	94,914	63,187	158,101

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Loss before taxation		**(25,075)**	(105,563)
Adjustment for:			
Amortisation of intangible assets	12	**1,078**	1,331
Change in fair value of financial assets at FVPL	17	**(3,696)**	–
Increase (Decrease) in loss allowance on contract assets	18	**455**	(115)
Depreciation of property, plant and equipment	11	**348**	457
Depreciation of right-of-use assets	14	**2,156**	2,742
Equity-settled share-based payments	25	**2,760**	–
Finance costs	5(a)	**1,223**	1,655
Gain on disposal of right-of-use assets		**(21)**	(5)
Impairment on goodwill		**–**	19,541
Impairment on intangible assets	12	**8,215**	12,446
Impairment on prepayment made to suppliers		**–**	27,150
Increase in loss allowance on trade and other receivables		**975**	23,576
Interest income		**(17)**	(32)
(Gain) Loss on disposal of property, plant and equipment		**(96)**	4
Changes in working capital:			
Contract assets		**3,187**	(1,962)
Contract liabilities		**5,759**	(10,091)
Financial assets at FVPL		**(7,101)**	–
Trade and other payables		**(13,356)**	10,251
Trade and other receivables		**27,644**	6,008
Cash generated from (used in) operations		**4,438**	(12,607)
Tax paid:			
PRC income taxes paid		**(105)**	(107)
PRC income taxes refunded		**370**	138
Net cash generated from (used in) operating activities		**4,703**	(12,576)

	Note	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	11	**(1,094)**	(108)
Decrease in pledged bank deposits		**–**	174
Payment for intangible assets		**–**	(3,228)
Proceeds from disposal of property, plant and equipment		**226**	67
Interest received		**17**	32
Net cash used in investing activities		**(851)**	(3,063)
FINANCING ACTIVITIES			
Proceeds from issue of new shares, net of expenses	24	**40,875**	–
Proceeds from new interest-bearing borrowings		**–**	11,744
Repayment of interest-bearing borrowings	20(b)	**(5,000)**	(24,000)
Repayment of lease liabilities	20(b)	**(2,434)**	(2,673)
Finance costs paid	20(b)	**(1,223)**	(1,655)
Net cash generated from (used in) financing activities		**32,218**	(16,584)
Net increase (decrease) in cash and cash equivalents		**36,070**	(32,223)
Cash and cash equivalents at 1 January		**64,766**	96,446
Effect of foreign exchange rate changes		**(914)**	543
Cash and cash equivalents at 31 December	20(a)	**99,922**	64,766

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 2020, the holding company of the Company is Luck Success Development Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability, which is an indirect wholly-owned subsidiary of Rentian Technology Holdings Limited (in liquidation) ("Rentian") since 27 April 2017. The directors of the Company consider the ultimate holding company of the Company to be Rentian, a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange.

(a) Statement of compliance

The consolidated 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 (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated 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) to these consolidated financial statements 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 consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi ("RMB"), and rounded to the nearest thousand.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost, except for financial assets at FVPL (see note 1(f)), which are measured at fair value as explained in the accounting policies set out below.

The preparation of consolidated 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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 consolidated financial statements and major sources of estimation uncertainty are discussed in note 2 in these consolidated financial statements.

(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 consolidated financial statements:

Amendments to IASs 1 and 8	Definition of Material
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to IFRS 3	Definition of a Business

Amendments to IASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across IFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IAS 39, IFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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) and (q) to these consolidated financial statements depending on the nature of the liability.

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(f))

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(k)).

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests 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(k)).

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.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, 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 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 28(f). These investments are subsequently accounted for as follows, depending on their classification.

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 fair value through other comprehensive income ("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(w)(iii).

The Group's financial assets mandatorily measured at FVPL include equity securities listed in Hong Kong.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

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

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	5-10 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.

(h) 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(k)). 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(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Intangible assets (other than goodwill) (cont'd)

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.

(i) Operating lease charges

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

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liabilities;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Operating lease charges (cont'd)

As lessee (cont'd)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset as follows:

Office premises	Over lease team

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Operating lease charges (cont'd)

As lessee (cont'd)

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets

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

– 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets (cont'd)

Measurement of ECLs (cont'd)

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 90 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets (cont'd)

Significant increases in credit risk (cont'd)

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(w)(iv) 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 loss allowance in profit or loss in the period in which the recovery occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of other non-current assets

Write-off policy (cont'd)

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;

– right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

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 ("VIU"). In assessing VIU, 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 VIU, if determinable.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) 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.

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.

(m) Trade and other receivables (other than prepayment made to suppliers)

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(j)).

(n) Prepayment made to suppliers

Prepayment made to suppliers are stated at cost less allowance for impairment losses.

(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(y)).

(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(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(j) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(w)). 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(m)).

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(j)).

(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 ECLs in accordance with the policy set out in note 1(j).

(s) Employee benefits

(i) Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of nonmonetary 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 People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(u) 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 payables 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 payables 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Income tax (cont'd)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Income tax (cont'd)

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.

(v) 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.

(w) Revenue and other revenue

Nature of goods or services

The Group’s revenue from software business represents the sales of software license and other products, the provision of software maintenance services and other services.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Revenue and other revenue (cont'd)

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Revenue and other revenue (cont'd)

Timing of revenue recognition (cont'd)

Sale of good is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Software maintenance services and other services are recognised over time when services are rendered.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The Group applies the output method as services completed to date over the life of the contract.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Revenue and other revenue (cont'd)

Transaction price: significant financing components (cont'd)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

(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.

(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) 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.

(iv) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars ("HK$") and 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.

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. Consolidated 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.

(y) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key 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 reassesses 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 and other 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 the reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivable and thus the loss allowance in the period in which such estimate is changed. The Group keeps assessing the ECL of trade and other receivables during the expected lives.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Key Sources of estimation uncertainty (cont'd)

(c) Provision for impairment of prepayment made to suppliers

The Group makes prepayment to suppliers in accordance with the purchase order entered into with the suppliers. These prepayments are to be offset against future services provided from suppliers.

The Group does not require collateral or other security against its prepayment made to suppliers. The Group estimates the provision for impairment of prepayment made to suppliers based on evaluation of utilisation, ageing analysis of accounts and market volatilities. The identification of impairment requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the prepayment made to suppliers and impairment in the period in which such estimate has been changed.

(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 of disposal and the value in use ("VIU"). In determining the VIU, 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 of disposal and the VIU of the cash-generating units to which the goodwill is allocated. Estimating the VIU 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.

(e) Impairment of investments

The Group assesses annually if investment in subsidiaries has suffered any impairment in accordance with IAS 36 and follows the guidance of IFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Key Sources of estimation uncertainty (cont'd)

(f) Determination of discount rates for calculating lease liabilities

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

(g) Valuation of share options

As explained in note 25, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of integrated business software solutions.

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

	2020 RMB'000	2019 RMB'000
Software maintenance and other services	43,442	93,547
Sale of software license and other products	27,088	8,062
Others	309	19
	70,839	101,628

3. REVENUE AND SEGMENT REPORTING (cont'd)

(a) Revenue (cont'd)

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

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products and services		
Software maintenance and other services	43,442	93,547
Sale of software license and other products	27,088	8,062
Revenue from other sources		
Others	309	19
	70,839	101,628
Timing of revenue recognition		
At a point in time	27,088	8,062
Over time	43,751	93,566
	70,839	101,628

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 3(c) to these consolidated financial statements.

(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 one major reportable segment. No operating segments have been aggregated to form the following reportable segments.

Software Business: Provision of integrated business software solutions in the PRC

In addition, other unreportable segment (money lending and security trading) are aggregated and presented as "Others".

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(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 payables 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 auditor's 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 generated from external customers. There were no inter-segment sales in both years.

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(i) Segment results, assets and liabilities (cont'd)

Information regarding the Group's major reportable segment as provided to the Board for the purposes of resource allocation and assessment performance for the years ended 31 December 2020 and 2019 is set out below:

	Software Business		Others		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue						
Revenue from external customers	70,530	101,609	309	19	70,839	101,628
Reportable segment revenue	70,530	101,609	309	19	70,839	101,628
Reportable segment loss						
Adjusted loss before taxation	(25,524)	(79,784)	7,832	(21,158)	(17,692)	(100,942)
Change in fair value of financial assets at FVPL	–	–	(3,696)	–	(3,696)	–
Depreciation and amortisation for the year	3,467	4,516	115	14	3,582	4,530
Impairment on goodwill	–	19,541	–	–	–	19,541
Impairment on intangible assets	8,215	12,446	–	–	8,215	12,446
Impairment on prepayment made to suppliers	–	27,150	–	–	–	27,150
Interest expenses	840	1,258	–	–	840	1,258
Loss allowance (Reversal of loss allowance) on trade and other receivables	6,182	2,983	(5,257)	20,593	925	23,576
Reportable segment assets	157,924	186,177	31,265	589	189,189	186,766
Additions to non-current segment assets during the year	3,223	8,202	–	–	3,223	8,202
Reportable segment liabilities	25,776	40,172	–	–	25,776	40,172

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	**70,839**	101,628
Loss before taxation		
Reportable segment loss derived from the Group's external customers	**(17,692)**	(100,942)
Unallocated head office and corporate expenses	**(7,383)**	(4,621)
Consolidated loss before taxation	**(25,075)**	(105,563)

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	**189,189**	186,766
Deferred tax assets	**346**	346
Unallocated head office and corporate assets	**990**	927
Consolidated total assets	**190,525**	188,039
Liabilities		
Reportable segment liabilities	**25,776**	40,172
Unallocated head office and corporate liabilities	**6,648**	6,524
Consolidated total liabilities	**32,424**	46,696

3. REVENUE AND SEGMENT REPORTING (cont'd)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets and right-of-use assets ("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 right-of-use assets.

	Revenue from external customers		Specified non-current assets	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**70,530**	101,609	**4,356**	13,988
Hong Kong	**309**	19	**477**	40
	70,839	101,628	**4,833**	14,028

For the years ended 31 December 2020 and 2019, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

4. OTHER INCOME AND GAINS

	2020	2019
	RMB'000	RMB'000
Gain on disposal on financial assets at FVPL	**536**	133
Others	**326**	101
	862	234

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

		2020 RMB'000	2019 RMB'000
(a)	**Finance costs**		
	Interest on interest-bearing borrowings	**1,112**	1,458
	Interest on lease liabilities	**111**	197
		1,223	1,655
(b)	**Staff costs**		
	Salaries, wages and other benefits	**22,442**	25,301
	Contributions to defined contribution retirement schemes (note 26) (note)	**1,880**	3,136
	Share-based payment in respect of share options (note 25(c))	**2,760**	–
		27,082	28,437
(c)	**Other items**		
	Auditor's remuneration	**625**	529
	Amortisation of intangible assets (note 12)	**1,078**	1,331
	Depreciation of property, plant and equipment (note 11)	**348**	457
	Depreciation of right-of-use assets (note 14)	**2,156**	2,742
	Leases expenses of other premises under short term leases (note 14)	**889**	974
	(Gain) Loss on disposal of property, plant and equipment	**(96)**	4
	Loss allowance (Reversal of loss allowance) on contract assets	**455**	(115)

Note: During the year ended 31 December 2020, the Group benefited from the preferential policy of social insurance contribution reduction and exemption during the coronavirus outbreak epidemic.

6. INCOME TAX EXPENSES (CREDIT)

(i) Income tax expenses (credit) in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current tax – the PRC		
Provision for the year	341	105
Over provision in respect of prior year	(94)	(1,549)
	247	(1,444)

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

The provision for the 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% for the years ended 31 December 2020 and 2019.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the years ended 31 December 2020 and 2019 as it was awarded high-technology status by the tax authority.

No provision of Hong Kong Profit Tax had been made as the Group's does not have assessable profit or incurred a loss for taxation purpose (2019: No provision of Hong Kong Profits Tax had been made as the Group's does not have assessable profit or has tax losses brought forward to set off assessable profit from Hong Kong).

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2020 and 2019.

(ii) Reconciliation between income tax expenses (credit) and loss before taxation at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Loss before taxation	(25,075)	(105,563)
Tax calculated at applicable tax rates of 25% (2019: 25%)	(6,269)	(26,390)
Tax effect of different tax rates of operations in other jurisdictions	500	6,362
Effect of non-deductible expenses	2,605	7,052
Effect of non-taxable income	(622)	(58)
Effect of tax loss not recognised	1,513	2,779
Effect of temporary difference not recognised	2,614	10,360
Over-provision in respect of prior years	(94)	(1,549)
Tax expenses (credit)	247	(1,444)

7. 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:

	Year ended 31 December 2020				
	Directors' fees RMB'000	Salaries, allowance and benefits-in-kind RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000 (note (i))	Total RMB'000
Chairman					
Mr. Guan Huanfei (Appointed on 2 June 2020)	–	1,038	10	14	1,062
Mr. Lam Kai Tai (Retired on 28 May 2020)	–	169	7	–	176
Executive director					
Mr. Bai Xuefei (Resigned on 28 January 2021)	–	213	9	455	677
Ms. Mao Junjie (Appointed on 31 December 2020)	–	9	–	–	9
Independent non-executive directors					
Mr. Cai Jinliang (Appointed on 24 August 2020)	76	–	–	–	76
Ms. Hu Gin Ing (Resigned on 17 June 2020)	107	–	–	–	107
Mr. Li Wai Kwan (Resigned on 12 October 2020)	167	–	–	–	167
Mr. Liu Jian (Resigned on 25 March 2021)	213	–	–	–	213
	563	1,429	26	469	2,487

7. DIRECTORS' REMUNERATION (cont'd)

	Year ended 31 December 2019				
	Directors' fees RMB'000	Salaries, allowance and benefits-in-kind RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Chairman					
Mr. Lam Kai Tai	–	390	15	–	405
Executive director					
Mr. Bai Xuefei	–	205	10	–	215
Independent non-executive directors					
Ms. Hu Gin Ing	205	–	–	–	205
Mr. Li Wai Kwan	205	–	–	–	205
Mr. Liu Jian	205	–	–	–	205
	615	595	25	–	1,235

Note:

(i) Equity-settled share-based payment represents share options granted to the directors of the Company under a share option scheme adopted by the Company. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions.

Details of share options granted to the directors of the Company and other employees, including the principal terms and number of options granted, are set out in note 25 to these consolidated financial statements.

There were no amounts paid during the years ended 31 December 2020 and 2019 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 years ended 31 December 2020 and 2019.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2019: Nil) of them is a director. The aggregate of the emoluments in respect of the other four (2019: five) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries, allowances and other benefits	3,484	3,681
Retirement scheme contributions	142	205
Share-based payment in respect of share options	469	–
	4,095	3,886
Number of senior managements	4	5

The emoluments of the four (2019: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2020	2019
Nil – HK$1,000,000	3	4
HK$1,000,001 – HK$1,500,000	1	1
	4	5

There were no amounts paid to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join during the years ended 31 December 2020 and 2019.

9. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2020 (2019: Nil), nor has any dividend been proposed since the end of the reporting period.

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2020 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB16,833,000 (2019: approximately RMB81,863,000) and the weighted average of 637,564,974 (2019: 526,508,982) ordinary shares in issue during the year.

Potential dilutive ordinary shares are not included in the calculation of diluted loss per share because they are anti-dilutive. Therefore, the diluted loss per share equals the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2019	856	5,791	6,647
Exchange adjustments	2	1	3
Additions	47	61	108
Disposals	(127)	(342)	(469)
At 31 December 2019 and 1 January 2020	778	5,511	6,289
Exchange adjustments	(5)	(34)	(39)
Additions	69	1,025	1,094
Disposals	(197)	(2,329)	(2,526)
Written off	–	(2,113)	(2,113)
At 31 December 2020	**645**	**2,060**	**2,705**
Accumulated depreciation:			
At 1 January 2019	(517)	(5,279)	(5,796)
Exchange adjustments	(1)	(1)	(2)
Charge for the year	(160)	(297)	(457)
Written back on disposals	105	293	398
At 31 December 2019 and 1 January 2020	(573)	(5,284)	(5,857)
Exchange adjustments	4	9	13
Charge for the year	(124)	(224)	(348)
Written back on disposals	183	2,213	2,396
Written off	–	2,113	2,113
At 31 December 2020	**(510)**	**(1,173)**	**(1,683)**
Net book value:			
At 31 December 2020	**135**	**887**	**1,022**
At 31 December 2019	205	227	432

12. INTANGIBLE ASSETS

	Customer relationships RMB'000	Customer contracts RMB'000	Trademarks RMB'000 (note (i))	Firewall patents RMB'000	Software patents RMB'000 (note (ii))	Total RMB'000
Costs:						
At 1 January 2019	7,262	3,015	2,815	665	20,830	34,587
Additions	–	–	–	–	3,228	3,228
At 31 December 2019 and 31 December 2020	7,262	3,015	2,815	665	24,058	37,815
Accumulated amortisation:						
At 1 January 2019	(7,262)	(3,015)	–	(665)	(2,634)	(13,576)
Charge for the year	–	–	–	–	(1,331)	(1,331)
At 31 December 2019 and 1 January 2020	(7,262)	(3,015)	–	(665)	(3,965)	(14,907)
Charge for the year	–	–	–	–	(1,078)	(1,078)
At 31 December 2020	**(7,262)**	**(3,015)**	**–**	**(665)**	**(5,043)**	**(15,985)**
Accumulated impairment:						
At 1 January 2019	–	–	–	–	–	–
Impairment	–	–	(1,246)	–	(11,200)	(12,446)
At 31 December 2019 and 1 January 2020	–	–	(1,246)	–	(11,200)	(12,446)
Impairment	–	–	(400)	–	(7,815)	(8,215)
At 31 December 2020	**–**	**–**	**(1,646)**	**–**	**(19,015)**	**(20,661)**
Net book value:						
At 31 December 2020	**–**	**–**	**1,169**	**–**	**–**	**1,169**
At 31 December 2019	–	–	1,569	–	8,893	10,462

The amortisation charge for the years ended 31 December 2020 and 2019 are included in "cost of sales" in the consolidated statement of profit or loss.

12. INTANGIBLE ASSETS (cont'd)

Notes:

(i) Trademarks

The recoverable amount of the trademark with indefinite useful life is determined based on its fair value determined using relief-from-royalty method by reference to the valuation report issued by an independent valuer, Valplus Consulting Limited ("Valplus"), 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. Revenue growth rate is based on past performance, current industry trends and management expectation of market development. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2019: 3%). The cash flows are discounted using a discount rate of 28.5% (2019: 28.5%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2020, an impairment loss of approximately RMB400,000 (2019: RMB1,246,000) was recognised in respect of the trademark.

If the budgeted revenue over the five-year forecast period used in the calculation had been 5% lower than management's estimates at 31 December 2020, the Group would have had to recognise an further impairment against the carrying amount of trademarks of RMB179,000 (2019: RMB242,000).

If the pre-tax discount rate applied to the cash flow projections had been 1% higher than management's estimates, the Group would have had to recognise a further impairment against the trademarks of RMB42,000 (2019: RMB57,000).

(ii) Software patents

Software patents comprise staff costs which were costs capitalised in respect 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.

The Group has engaged Valplus to perform an appraisal of the value of the CGU in the Software Business. The recoverable amount of the CGU is determined on the basis of higher of the CGU's fair value less costs of disposal and VIU calculations.

The recoverable amount of the CGU in the Software Business is determined based on VIU calculations. The key assumptions for the recoverable amount are the underlying cash flow 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. Revenue growth rate is based on past performance, current industry trends and management expectation of market development. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2019: 3%). The cash flows are discounted using a discount rate of 24.6% (2019: 24.1%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Based on the valuation prepared by Valplus, the recoverable amount was lower than the carrying amount of the CGU in the Software Business, an impairment loss of approximately RMB7,815,000 (2019: RMB11,200,000) was recognised in respect of the software patents for the year ended 31 December 2020.

13. INVESTMENTS IN SUBSIDIARIES

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 subsidiaries	Place of incorporation/ establishment and operation	Percentage of equity interests held by the Company Direct	Indirect	Particulars of issued share capital/paid up capital	Principal activities
		%	%		
Winsino Investments Limited	The BVI	100%	–	1 share of United States Dollars ("USD") 1	Investment holding
Smart Billion Enterprises Corporation	The 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	The BVI	–	60%	1 share of USD1	Investment holding
Oriental Legend Maker Technology Ltd.	Hong Kong	–	60%	1 share of HK$1	Investment holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") ((note (i) and (iii))	The PRC	–	60%	RMB110,000,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") ((note (ii) and (iii))	The PRC	–	60%	RMB30,000,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") ((note (ii) and (iii))	The PRC	–	60%	RMB10,000,000	Provision of integrated business software solutions

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are limited liability companies established in the PRC.

(iii) The English translation of the company names are for reference only. The official names of these companies are in Chinese.

(iv) None of the subsidiaries had issued any debt securities during the year.

13. 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	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
NCI percentage	**40%**	40%	**40%**	40%	**40%**	40%
Current assets	**116,369**	126,514	**37,774**	38,498	**44,080**	51,846
Non-current assets	**38,808**	46,984	**13,608**	13,603	**1,067**	2,123
Current liabilities	**(58,908)**	(54,094)	**(947)**	(829)	**(15,900)**	(23,311)
Non-current liabilities	**(524)**	–	**–**	–	**(247)**	(821)
Net assets	**95,745**	119,404	**50,435**	51,272	**29,000**	29,837
Carrying amounts of NCI	**38,298**	47,762	**20,174**	20,509	**11,600**	11,935
Revenue	**24,117**	65,285	**1,933**	1,896	**44,480**	36,223
Loss for the year	**(23,663)**	(44,336)	**(837)**	(3,027)	**(838)**	(3,172)
Total comprehensive loss	**(23,663)**	(44,336)	**(837)**	(3,027)	**(838)**	(3,172)
Loss allocated to NCI	**(9,465)**	(17,734)	**(335)**	(1,211)	**(335)**	(1,269)
Dividend paid to NCI	**–**	–	**–**	–		
Cash flow from (used in) operating activities	**22,423**	493	**(19)**	(90)	**5,158**	(306)
Cash flows (used in) from investing activities	**(380)**	(3,070)	**(10)**	–	**125**	4
Cash flow used in financing activities	**(5,164)**	(12,578)	**–**	–	**(3,856)**	(3,606)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Office premises RMB'000
Costs:	
At 1 January 2019	1,328
Derecognition due to early termination	(679)
Additions	4,866
At 31 December 2019 and 1 January 2020	5,515
Derecognition due to early termination	(3,844)
Additions	2,129
At 31 December 2020	**3,800**
Accumulated depreciation:	
At 1 January 2019	–
Derecognition due to early termination	361
Charge for the year	(2,742)
At 31 December 2019 and 1 January 2020	(2,381)
Derecognition due to early termination	3,379
Charge for the year	(2,156)
At 31 December 2020	**(1,158)**
Net book value:	
At 31 December 2020	**2,642**
At 31 December 2019	3,134

Lease liabilities

	2020 **RMB'000**	2019 RMB'000
Current portion	**1,637**	2,378
Non-current portion	**771**	821
	2,408	3,199

The Group's right-of-use assets represent the leases of various offices. Rental contracts for the year ended 31 December 2020 are typically made for fixed periods of 1 year to 3 years (2019: fixed periods of 1 year to 3 years). Lease terms are negotiated on an individual basis and contain similar terms and conditions. The Group has applied incremental borrowing rate of 5% (2019: 5%) to the lease liabilities for the year ended 31 December 2020.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

Lease liabilities (cont'd)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, except for short-term leases and low-value assets. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group has recognised the following amounts for the year:

	2020	2019
	RMB'000	RMB'000
Lease payments		
Short-term leases	**889**	974
Expenses recognised in profit or loss	**889**	974
Lease payments:		
Interest on lease liabilities	**111**	197
Repayment of lease liabilities	**2,434**	2,673
Total cash outflow for leases	**3,434**	3,844

Commitments under leases

At 31 December 2020, the Group was committed to RMB253,000 (2019: RMB296,000) for short-term leases and low value assets (2019: short term leases).

15. GOODWILL

	Total RMB'000
Costs:	
At 31 December 2019, 1 January 2020 and 31 December 2020	19,541
Accumulated impairment:	
At 31 December 2018 and 1 January 2019	–
Impairment loss	(19,541)
At 31 December 2019, 1 January 2020 and 31 December 2020	(19,541)
Carrying amount:	
At 31 December 2020	–
At 31 December 2019	–

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

	2020 RMB'000	2019 RMB'000
Software Business	**–**	–

During the year ended 31 December 2019, the Group has engaged an independent valuer to perform an appraisal of the value of the CGU in the Software Business. The recoverable amounts were determined from a VIU calculation. Based on the valuation prepared by the independent valuer, the recoverable amount was lower than the carrying amount of the CGU in the Software Business, an impairment loss of RMB19,541,000 was recognised in profit or loss for the year ended 31 December 2019.

16. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
Standard hardware and accessories	**931**	931
Low value consumables	**6**	6
	937	937

17. FINANCIAL ASSETS AT FVPL

	2020 RMB'000	2019 RMB'000
Mandatorily measured at FVPL		
Equity securities listed in Hong Kong	10,236	–

Note:

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.

During the year ended 31 December 2020, a fair value gain on listed equity securities of RMB3,696,000 (2019: Nil) was recognised in profit or loss.

Subsequent the end of the reporting period, the Group has disposed of certain listed equity securities for an aggregate cash consideration of RMB8,484,000 (approximately HK$10,170,000) and recorded a realised gain of RMB2,311,000 (approximately HK$2,770,000). Details of disposal are set out in the Company's announcements dated 20 January 2021, 21 January 2021 and 26 January 2021 respectively.

18. CONTRACT ASSETS AND LIABILITIES

	Note	2020 RMB'000	2019 RMB'000
Contract assets	(a)	13,296	16,483
Less: Loss allowance		(474)	(19)
		12,822	16,464
Contract liabilities	(b)	6,801	1,042

Notes:

(a) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within IFRS 15 during the year are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	16,483	14,521
Transferred to trade receivables	(16,483)	(14,521)
Recognition as revenue	13,296	16,483
At 31 December	13,296	16,483

The contract assets are primarily related to the Group's right to consideration for Software Business because the rights are conditional upon the Group's fulfilment of certain future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The decrease in contract assets in 2020 was the result of the decrease in the provision of maintenance and other services towards the end of the year.

At 31 December 2020, the contract assets that are expected to be settled within 12 months are RMB13,296,000 (2019: RMB16,483,000).

18. CONTRACT ASSETS AND LIABILITIES (cont'd)

Notes: (cont'd)

(b) Movements in contract liabilities:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**1,042**	11,133
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	**(1,042)**	(11,133)
Increase in contract liabilities excluding amounts recognised as revenue during the year	**6,801**	1,042
Balance at 31 December	**6,801**	1,042

At 31 December 2020, the contract liabilities that are expected to be settled within 12 months are RMB6,801,000 (2019: RMB1,042,000).

The increase in contract liabilities in the current year was mainly due to increase in advance from customers.

19. TRADE AND OTHER RECEIVABLES

	Note	2020 RMB'000	2019 RMB'000
Trade receivables, net of loss allowance	(a)	**18,868**	22,866
Loan receivables from third parties	(b)	**25,103**	23,631
Loan receivables from a related company		**–**	5,275
Less: loss allowance of loan receivables		**(22,291)**	(28,906)
Loan receivables, net of loss allowance	(c)-(d)	**2,812**	–
Prepayment made to suppliers, net of impairment	(e)	**32,057**	48,651
Deposits and other receivables, net of loss allowance		**7,692**	19,981
		39,749	68,632
		61,429	91,498

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

19. TRADE AND OTHER RECEIVABLES (cont'd)

Notes:

(a) 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:

	2020 RMB'000	2019 RMB'000
Within 1 month	11,059	12,177
Over 1 month but less than 3 months	4,739	8,061
Over 3 months but less than 1 year	3,070	1,957
Over 1 year but less than 2 years	–	459
Over 2 years	–	212
	18,868	22,866

Trade receivables are generally due within 90 (2019: 90) days from the date of billing. Further details of the Group's credit policy are set out in note 28(a) to these consolidated financial statements.

(b) At 31 December 2020, (1) loan receivable of RMB2,812,000 was unsecured, carried at fixed interest rate of 10% per annum and within the maturity date; and (2) remaining loan receivables of RMB22,291,000 (2019: RMB28,960,000) were unsecured, carried at fixed interest rates of ranging from 7% to 12% (2019: 7% to 12%) per annum and overdue. All loan receivables were denominated in HK$.

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

	2020 RMB'000	2019 RMB'000
Repayable		
Within 1 month	2,812	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	–	–
	2,812	–

(d) 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:

	2020 RMB'000	2019 RMB'000
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	2,812	–
	2,812	–

Further details of the Group's credit policy are set out in note 28(a) to these consolidated financial statements.

19. TRADE AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

(e) 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 prepayment over a certain amount. These evaluations focus on the suppliers' past history and take into account information specific to the suppliers as well as pertaining to the economic environment in which the suppliers operate.

At 31 December 2020, the unutilised prepayments, net of impairment amounted to RMB32,057,000 (2019: RMB48,651,000). The directors have reassessed the recoverability of the unutilised prepayment based on all relevant information available to the Group. The directors consider that the carrying amounts are not impaired.

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 32% (2019: 17%) and 48% (2019: 27%) of the total prepayment made to the Group's largest supplier and the five largest suppliers respectively.

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

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

	2020	2019
	RMB'000	RMB'000
Cash on hand	**30**	27
Deposits on demand	**99,892**	64,739
Cash and bank deposits (note(i))	**99,922**	64,766

Note:

(i) Included in cash and bank deposits were approximately RMB81,493,000 (2019: approximately RMB63,216,000) 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.

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (cont'd)

(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 statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 (Note 14)	Interest-bearing borrowing RMB'000 (Note 22)	Total RMB'000
At 1 January 2019	1,328	28,390	29,718
Change from financing cash flows:			
Proceeds from new interest-bearing borrowings	–	11,744	11,744
Repayment of interest-bearing borrowings	–	(24,000)	(24,000)
Repayment of lease liabilities	(2,673)	–	(2,673)
Interest expenses paid	(197)	(1,458)	(1,655)
Total changes form financing cash flows	(2,870)	(13,714)	(16,584)
Other changes:			
Finance costs	197	1,458	1,655
Derecognition due to early termination	(322)	–	(322)
New lease liabilities	4,866	–	4,866
Exchange adjustments	–	80	80
Total other changes	4,741	1,538	6,279
At 31 December 2019	3,199	16,214	19,413

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities: (cont'd)

	Lease liabilities RMB'000 (Note 14)	Interest-bearing borrowing RMB'000 (Note 22)	Total RMB'000
At 1 January 2020	3,199	16,214	19,413
Change from financing cash flows:			
Repayment of interest-bearing borrowings	–	(5,000)	(5,000)
Repayment of lease liabilities	(2,434)	–	(2,434)
Interest expenses paid	(111)	(1,112)	(1,223)
Total changes form financing cash flows	(2,545)	(6,112)	(8,657)
Other changes:			
Finance costs	111	1,112	1,223
Derecognition due to early termination	(486)	–	(486)
New lease liabilities	2,129	–	2,129
Exchange adjustments	–	(1,396)	(1,396)
Total other changes	1,754	(284)	1,470
At 31 December 2020	**2,408**	**9,818**	**12,226**

21. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**3,808**	17,476
Non-trade payables and accrued expenses	**5,064**	5,171
Other tax payables	**1,232**	813
	10,104	23,460

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

21. TRADE AND OTHER PAYABLES (cont'd)

The credit period of trade payables is normally within 90 (2019: 90) days. As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Due within 1 month or on demand	480	7,564
Due after 1 month but within 3 months	3,118	7,669
Due after 3 months but within 6 months	200	2,203
Due after 6 months but within 1 year	10	40
	3,808	17,476

22. INTEREST-BEARING BORROWINGS

	Notes	2020 RMB'000	2019 RMB'000
Loan from a third party, unsecured and unguaranteed	(a)	4,216	4,470
Loan from a fellow subsidiary, unsecured and unguaranteed	(b)	5,602	6,744
Banking borrowings, unsecured and guaranteed	(c)	–	5,000
		9,818	16,214

Notes:

(a) Loan from a third party, unsecured and unguaranteed

The loan due to an independent third party is denominated in HK$ (2019: HK$), unsecured, carried interest rate of 2% (2019: 9%) per annum and is repayable within one year.

(b) Loan from a fellow subsidiary, unsecured and unguaranteed

The loan due to a fellow subsidiary is denominated in HK$ (2019: HK$), unsecured, carried interest rate of 10% (2019: 10%) per annum and is repayable within one year.

(c) Banking borrowings, secured and unguaranteed

As at 31 December 2019, the bank borrowings carried interest at the prevailing interest rate of loan prime rate plus 15 – 20 basis points. Bank borrowings of RMB3,000,000 was guaranteed by a subsidiary and the remaining bank borrowings of RMB2,000,000 was guaranteed by a third party. The bank borrowings were repaid during the year.

23. DEFERRED TAXATION

(a) Deferred tax assets

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

	Write-down of inventory RMB'000
At 1 January 2019, 31 December 2019 and 31 December 2020	346

(b) Deferred tax assets not recognised

	2020 RMB'000	2019 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**71,786**	63,171
Tax losses	**56,551**	48,061
At end of the reporting period	**128,337**	111,232

No deferred tax asset has been recognised due to the unpredictability of future profit streams. Deductible temporary differences do not expire under current tax legislation. The expiry dates of unrecognised tax losses are as follows:

	2020 RMB'000	2019 RMB'000
Tax loss without expiry date	**35,025**	33,874
Tax losses expiring on 31 December 2024	**14,187**	14,187
Tax losses expiring on 31 December 2025	**7,339**	–
	56,551	48,061

(c) Deferred tax liabilities not recognised

At 31 December 2020, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB7,003,000 (2019: RMB19,918,000). Deferred tax liabilities of approximately RMB350,000 (2019: RMB996,000) 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.

24. SHARE CAPITAL AND RESERVES

(a) Share capital

	2020		2019	
	Number of shares	Amount HK$	Number of shares	Amount HK$
Authorised:				
Ordinary shares of HK$0.1 each	10,000,000,000	1,000,000,000	10,000,000,000	1,000,000,000
Issued and fully paid:				
At 1 January	526,508,982	52,650,898	526,508,982	52,650,898
Issue of new shares (note (i))	105,301,796	10,530,180	–	–
Issue of new shares (note (ii))	126,362,155	12,636,215	–	–
At 31 December	758,172,933	75,817,293	526,508,982	52,650,898
		RMB equivalent		RMB equivalent
		64,904,550		44,711,310

Notes:

(i) On 4 February 2020, the Company allotted and issued an aggregate of 105,301,796 shares at a placing price of HK$0.249 per share to not less than six placees for cash. The net proceeds of approximately RMB22,905,000 (equivalent to HK$25,410,000) received and approximately RMB1,352,000 (equivalent to HK$1,500,000) was used for repayment of interest-bearing borrowings, approximately RMB8,032,000 (equivalent to HK$8,910,000) was used for general working capital of the Group; approximately RMB13,521,000 (equivalent to HK$15,000,000) was used as part of deposit payment for a development project. The closing market price of the Company's shares as at the issue date was HK$0.34 per share.

(ii) On 17 November 2020, the Company allotted and issued an aggregate of 126,362,155 shares at a placing price of HK$0.168 per share to an independent third party for cash. The net proceeds of approximately RMB17,970,000 (equivalent to HK$21,128,000) received and approximately RMB4,678,000 (equivalent to HK$5,500,000) was used for loan financing business, approximately RMB1,276,000 (equivalent to HK$1,500,000) was used for general working capital of the Group; and the remaining proceeds of approximately RMB12,016,000 (equivalent to HK$14,128,000) will be used for general working capital for improvement of the Company's professional technical services capabilities to facilitate the long term business development of the Group, and further investments of the Group as and when the opportunities arise.. The closing market price of the Company's shares as at the issue date was HK$0.185 per share.

(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.

(ii) Other reserve

The application of the other reserve is set up to deal with the changes in ownership interests in subsidiaries that do not result in a loss of control. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised in equity.

24. SHARE CAPITAL AND RESERVES (cont'd)

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

(iii) Share-based payment reserve

The share-based payment reserve comprises the fair value at the grant date of unexercised share options granted to and other share-based payment transactions with employees of the Group and is dealt with in accordance with the accounting policy as set out in note 1(t) to these consolidated financial statements.

(iv) 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.

(v) 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 their foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(x).

(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 2020, 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.

25. SHARE OPTION

(a) Share option scheme

On 26 May 2016, with approval by the shareholders, the Company adopted a new share option scheme (the "Scheme") for a period of 10 years to replace the share option scheme approved on 18 December 2006 that would otherwise expire on 17 December 2016.

Under the Scheme, the Company may 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 options will expire either after 10 years from the date of grant or upon the termination or the issuance of termination notice of the relevant grantee's employment with the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. If any option is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be.

The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Under the Scheme, the options granted may be accepted by a participant within 28 days from the date of such offer. A consideration of HK$1 is payable on acceptance of the offer of grant of an option. The exercise period of the share options granted is determinable by the directors of the Company and ends on a date which is not later than 10 years from the date of offer of the share options. The subscription price for shares payable on exercise of share options granted under the Scheme shall be a price determined by the directors of the Company, but shall in any event not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of share.

The options granted prior to and remaining outstanding at termination, if any, shall continue to be valid and exercisable in accordance with the terms of the Scheme.

25. SHARE OPTION (cont'd)

(b) Movement in share option granted:

The following table discloses movements of the Company's share options held by directors and employees of the Group during the year ended 31 December 2020:

Name of category of participant	Date of grant	Exercise price HK$	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2020	The closing price of the Company's shares quoted on the Stock Exchange immediately before the date of grant HK$
Directors in aggregate	1 September 2020	0.2122	–	6,500,000	–	–	6,500,000	0.201
Employees in aggregate	1 September 2020	0.2122	–	31,750,000	–	–	31,750,000	0.201
			–	38,250,000	–	–	38,250,000	
Weighted average exercise price (HK$)			–	0.2122	–	–	0.2122	

No share option has been granted under the share option scheme during the year ended 31 December 2019.

No share options were exercised for the year ended 31 December 2020. As at 31 December 2020, all share options were exercisable.

25. SHARE OPTION (cont'd)

(c) Fair value of share options and assumptions

The fair value of the share options granted is measured at the date of grant, using the binomial option pricing model, taking into account the terms and conditions of the share-based arrangement The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The inputs into the model are as follows:

Grant date	Fair value at grant date HK$ per share option	The closing price of the Company's shares quoted on the Stock Exchange at grant date	Exercise Price HK$ per share	Risk-free interest rate HK$ per share	Expected Volatility	Expected life	Expected dividend yield
1 September 2020	0.081	0.200	0.2122	0.60%	89.57%	10 years	N/A

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

During the year ended 31 December 2020, the fair value of equity-settled share-based payment in respect of the Scheme of RMB2,760,000 (2019: Nil) was recognised in profit or loss.

26. 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 8% to 12% (2019: 14% to 18%).

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.

26. RETIREMENT BENEFITS (cont'd)

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.

27. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Related party relationship	Nature of transaction	2020 RMB'000	2019 RMB'000
A fellow subsidiary	Loan interest expenses	**528**	244
A related company^	Loan interest income	**(189)**	–

^ The related company was controlled by the controlling shareholder.

(b) Remuneration to key management personnel

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**5,766**	5,910
Post-employment benefits	**239**	329
Equity-settled share-based payment	**1,379**	–
	7,384	6,239

The remuneration to key management personnel includes directors whose remuneration is detailed in note 7 to these consolidated financial statements.

28. 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 those 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 on-going 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 and other 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 according 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 on trade and other 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.

28. 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)

Trade receivables

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 2019:

	Expected loss rate %	Gross carrying amount RMB'000	Loss Allowance RMB'000
As at 31 December 2020			
Current (not past due)	**2.69**	**15,299**	**412**
Less than 3 months past due	**38.88**	**4,930**	**1,917**
Over 3 months to 1 year past due	**53.97**	**2,103**	**1,135**
Over 1 year to 2 years past due	**100.00**	**1,560**	**1,560**
Over 2 years past due	**100.00**	**872**	**872**
		24,764	**5,896**
As at 31 December 2019			
Current (not past due)	1.80	20,698	372
Less than 3 months past due	11.66	1,801	210
Over 3 months to 1 year past due	18.60	817	152
Over 1 year to 2 years past due	46.62	532	248
Over 2 years past due	100.00	1,043	1,043
		24,891	2,025

The Group does not hold any collateral over trade receivables as at 31 December 2020 and 2019.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**2,025**	1,451
Provision for loss allowance	**3,871**	574
At 31 December	**5,896**	2,025

As at 31 December 2020, the Group has recognised an allowance for credit losses on trade receivables amounted to approximately RMB5,896,000 (2019: approximately RMB2,025,000), of which approximately RMB3,871,000 (2019: approximately RMB574,000) were collectively determined to be impaired under ECLs during the year.

28. 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)

Loan receivables

Movements in the loss allowance account in respect of loan receivables during the year are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	28,906	8,795
Exchange adjustments	(1,367)	446
(Reversal of) Provision for loss allowance	(5,248)	19,665
At 31 December	22,291	28,906

As at 31 December 2020, the Group has recognised an allowance for credit losses on loan receivables amounted to approximately RMB22,291,000 (2019: approximately RMB28,906,000) of which approximately RMB22,291,000 (2019: approximately RMB11,920,000) was determined as credit impaired.

Contract assets

The movement in the loss allowance of contract assets during the year is as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	19	134
Provision for (Reversal of) loss allowance	455	(115)
At 31 December	474	19

As at 31 December 2020, the Group has recognised an allowance for credit losses on contract assets amounted to approximately RMB474,000 (2019: approximately RMB19,000), of which approximately RMB455,000 was impaired (2019: approximately RMB115,000 was reversed) during the year.

An analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

28. 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)

Deposits and other receivables

The movement in the loss allowance account in respect of deposits and other receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	14,049	10,827
Provision for loss allowance	2,076	3,222
At 31 December	16,125	14,049

As at 31 December 2020, the Group has recognised an allowance for credit losses on deposits and other receivables amounted to approximately RMB16,125,000 (2019: approximately RMB14,049,000) of which approximately RMB2,076,000 (2019: approximately RMB3,222,000) were individually determined to be impaired under ECLs during the year.

28. 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 maturity profile of the Group's non-derivative financial liabilities at end of the reporting period, based on contractual discounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at end of the reporting period) are summarised below:

	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
As at 31 December 2020				
Non-derivative financial liabilities				
Interest-bearing borrowings	**9,818**	**10,464**	**10,464**	**–**
Lease liabilities	**2,408**	**2,495**	**1,715**	**780**
Trade and other payables	**7,796**	**7,796**	**7,796**	**–**
	20,022	**20,755**	**19,975**	**780**

	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
As at 31 December 2019				
Non-derivative financial liabilities				
Interest-bearing borrowings	16,214	17,518	17,518	–
Lease liabilities	3,199	3,319	2,471	848
Trade and other payables	21,736	21,736	21,736	–
	41,149	42,573	41,725	848

28. 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 with variable interest rate, 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 are not expected to change significantly.

The Group's interest rate risk arises primarily from cash and cash equivalents, loan receivables and interest-bearing 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:

	2020		2019	
	Effective weighted average interest rates % (annual)	RMB'000	Effective weighted average interest rates % (annual)	RMB'000
Fixed rate instruments				
Interest-bearing borrowings	6.56	(9,818)	9.60	(11,214)
Variable rate instruments				
Interest-bearing borrowings	–	–	4.53	(5,000)

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(c) Interest rate risk (cont'd)

(ii) Sensitivity analysis

The directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account no variable interest-bearing borrowing as at 31 December 2020. Accordingly, no sensitivity analysis on interest rate risk is presented.

At 31 December 2019, 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 before taxation and accumulated losses by approximately RMB39,500. 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 before taxation 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.

(d) Foreign currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. 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

The Group is exposed to equity price risk arising from financial assets at FVPL. The sensitivity analysis has been determined based on the exposure to equity price risk.

At end of the reporting period, if the fair value had been 36% higher or lower while all other variables were held constant, the Group's net loss before taxation would decrease or increase by RMB3,682,000 as a result of changes in fair value of investments. The Group's sensitivity to equity price has changed significantly during the year mainly due to more volatile price fluctuation.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the equity prices or other relevant risk variables had occurred at end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the equity prices or the relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant equity price or the relevant risk variables over the period until the end of the next annual reporting period.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent equity price risk because the exposure at the end of each reporting period does not reflect the exposure during the year.

28. 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.

(a) Assets measured at fair value

	31 December 2020 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at FVPL				
– Listed equity securities	10,236	10,236	–	–

As at 31 December 2019, the Group did not have any financial assets and liabilities that were measured fair value.

During the years ended 31 December 2020 and 2019, there was no transfer between Level 1 and Level 2 fair value measurements and no transfer into and out of Level 3 fair value measurements.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(g) Financial instruments by category

The carrying amounts of each of the categories of financial instruments at each of the reporting date are as follows:

	2020 RMB'000	2019 RMB'000
Financial assets		
– Financial assets measured at amortised cost	127,775	108,435
Financial liabilities		
– Financial liabilities measured at amortised cost	21,016	42,060

29. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in these consolidated financial statements, a summary of events transacted after end of reporting period is set out below:

Proposed rights issue

The Company proposed to implement a rights issue on the basis of one rights share for every two existing shares of the Company at the subscription price of HK$0.12 per rights share, to raise up to approximately HK$46,200,000 after deducting expenses. Details of rights issue is set out in the announcements of the Company dated 19 February 2021 and 24 March 2021.

As at the date of these consolidated financial statements, the rights issue has not yet been completed.

30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company-level statement of financial position

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investments in subsidiaries		11	11
Due from subsidiaries	30(c)	63,605	92,036
		63,616	92,047
Current assets			
Due from subsidiaries	30(d)	35,503	24,740
Deposits and other receivables		169	211
Bank balances and cash		621	613
		36,293	25,564
Current liabilities			
Other payables and accrued expenses		2,433	2,051
Interest-bearing borrowings		4,216	4,470
		6,649	6,521
Net current assets		29,644	19,043
Total assets less current liabilities		93,260	111,090
Non-current liability			
Due to subsidiaries		1	148
NET ASSETS		93,259	110,942
Equity and reserves			
Share capital	24(a)	64,905	44,711
Reserves	30(b)	28,354	66,231
TOTAL EQUITY		93,259	110,942

This statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2021 and signed on its behalf by

Guan Huanfei *Director*	**Mao Junjie** *Director*

30. 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	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at and 1 January 2019	530,446	30,801	–	(450,026)	111,221
Loss for the year	–	–	–	(47,151)	(47,151)
Other comprehensive income:					
Exchange difference on translation of financial statements	–	2,161	–	–	2,161
Total comprehensive income (loss) for the year	–	2,161	–	(47,151)	(44,990)
Balance at 31 December 2019 and 1 January 2020	530,446	32,962	–	(497,177)	66,231
Loss for the year	**–**	**–**	**–**	**(56,253)**	**(56,253)**
Other comprehensive loss:					
Exchange difference on translation of financial statements	**–**	**(5,065)**	**–**	**–**	**(5,065)**
Total comprehensive loss for the year	**–**	**(5,065)**	**–**	**(56,253)**	**(61,318)**
Transactions with owners:					
Contributions and distributions:					
Issue of new shares, net of expenses (note 24(a)(i))	**13,413**	**–**	**–**	**–**	**13,413**
Issue of new shares, net of expenses (note 24(a)(ii))	**7,268**	**–**	**–**	**–**	**7,268**
Equity-settled share-based payments (note 25)	**–**	**–**	**2,760**	**–**	**2,760**
Total transactions with owners	**20,681**	**–**	**2,760**	**–**	**23,441**
Balance at 31 December 2020	**551,127**	**27,897**	**2,760**	**(553,430)**	**28,354**

(c) The amounts due from subsidiaries are unsecured, non-interest bearing and the settlement of which is neither planned nor likely to occur in the foreseeable future.

(d) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demands.

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these consolidated financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2020 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

Amendments to IFRS 16	Covid-19-Related Rent Concessions [1]
Amendments to IAS 39, IFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 [2]
Amendments to IAS 16	Proceeds before Intended Use [3]
Amendments to IAS 37	Cost of Fulfilling a Contract [3]
Amendments to IFRS 3	Reference to the Conceptual Framework [3]
Annual Improvements to IFRSs	2018–2020 Cycle [3]
Amendments to IAS 1	Classification of Liabilities as Current or non-Current [4]
Amendments to IAS 1	Disclosure of Accounting Policies [4]
Amendments to IAS 8	Definition of Accounting Estimates [4]
IFRS 17	Insurance Contracts [4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

[1] Effective for annual periods beginning on or after 1 June 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023
[5] The effective date to be determined

The directors do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the results of the Group.