



ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

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

ANNUAL REPORT 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lam Kai Tai (*Chairman*)
Bai Xuefei

Independent Non-executive Directors

Hu Gin Ing
Liu Jian
Li Wai Kwan

COMPANY SECRETARY

Liu Chak Sing (resigned on 2 April 2019)
Tse Kai Chiu (appointed on 2 April 2019 and
resigned on 1 November 2019)
Chan Yuen Ying, Stella (appointed on 1 November 2019)

AUTHORISED REPRESENTATIVES

Bai Xuefei
Chan Yuen Ying, Stella

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITORS

HLB Hodgson Impey Cheng Limited
(resigned on 13 December 2019)
Mazars CPA Limited (appointed on 13 December 2019)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of Communications Co., Ltd.

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

CHAIRMAN'S STATEMENT

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 2019.

For the financial year ended 31 December 2019, the Group recorded a consolidated net loss attributable to equity shareholders of the Company of approximately RMB82 million as compared to the consolidated net loss attributable to equity shareholders of the Company of approximately RMB25 million in the last corresponding year. The consolidated net loss attributable to equity shareholders for the year ended 31 December 2019 was mainly due to, including but not limited to, (i) the distribution expenses of approximately RMB23 million; (ii) the general and administrative expenses of approximately RMB22 million; (iii) the total impairment losses on prepayments made to suppliers, intangible assets and goodwill of approximately RMB59 million; (iv) loss allowance on trade and other receivables of approximately RMB23 million; and net off by (v) gross profit of approximately RMB23 million. The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

The Group's software business continued to record a slowdown during the year ended 31 December 2019 due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants. The Group will try to maintain its competitiveness in 2020 through introduction of new products and services, further broadening of client base and implementation of various cost control policies.

With the economic uncertainties caused by the US-China trade dispute and recent outbreak of coronavirus disease ("COVID-19"), it is expected that the Group's software business in the People's Republic of China (the "PRC") will face a massive challenge in the 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 is still optimistic on the growth opportunities in the financial services industry and believe that a successful integration of the Group's IT services with the financial service sector could create further income sources and long-term benefits to the Group.

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

Lam Kai Tai

Chairman

Hong Kong, 27 March 2020

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lam Kai Tai (“Mr. Lam”), aged 52, was appointed as an executive Director on 1 June 2015 and further appointed as the chairman of the Board on 3 July 2015. Mr. Lam is a member of each of the Remuneration Committee and the Nomination Committee. He was educated at U.C. Berkeley and University of San Francisco as Finance major. In 1997, Mr. Lam joined First Yuanta Securities Ltd. In 2003, Mr. Lam joined Galaxy Entertainment Group (Macau) as Project Manager to oversee the construction and development of Waldo Hotel, Grand Waldo Hotel, Starworld Hotel and Galaxy Macau. Mr. Lam was an independent non-executive director of Hao Wen Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 8019) for the period from April 2011 to November 2014. Mr. Lam has more than 18 years of experience in project management and merger and acquisition.

Mr. Bai Xuefei (“Mr. Bai”), aged 42, was appointed as an executive Director on 1 June 2018. Mr. Bai is graduated from China Agricultural University (中國農業大學), majoring in accounting and received a bachelor’s degree in economics in 1999. Mr. Bai obtained a master’s degree in laws from Heilongjiang University (黑龍江大學) in 2003. Mr. Bai has been an executive director of Carnival Group International Holdings Limited since July 2018, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 996). Mr. Bai was a deputy general manager of China Nuclear Investment Co., Ltd (中核投資有限公司) from July 2016 to May 2018 and an executive director and the co-chief executive officer of China Nuclear Energy Technology Corporation Limited from September 2016 to January 2018, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 611). Prior to that, during the period from May 2013 to July 2016, he served as the head of the board office of China Nuclear Engineering Corporation Limited (中國核工業建設股份有限公司), a company whose shares are listed on Shanghai Stock Exchange (stock code: 601611.SH). From November 2004 to May 2013, Mr. Bai was the director of the investor relations division of China Shenhua Energy Company Limited, a company whose shares are listed on Shanghai Stock Exchange (stock code: 601088. SH) and the Main Board of the Stock Exchange (stock code: 1088). From June 2003 to November 2004, Mr. Bai served as an officer of the policies and regulations research division of Shenhua Group Company Limited (神華集團有限責任公司). He was an executive director and chief executive officer of Rentian Technology Holdings Limited from June 2018 to July 2018, a company listed on the Main Board of the Stock Exchange (stock code: 885), which is the controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hu Gin Ing (“Ms. Hu”), aged 61, was appointed as an independent non-executive Director on 12 March 2011. Ms. Hu is also the chairlady of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. Ms. Hu holds a master degree in business administration from Florida International University, United States of America (“U.S.A.”), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in U.S.A. Ms. Hu was appointed as an independent director of Acer Synergy Tech Corp. (智聯服務股份有限公司) (a company listed on the Taipei Exchange with a code of 6751) on 15 October 2019. Ms. Hu was appointed as an independent director of Vigor Kobo Company Limited (維格餅家股份有限公司) (a company listed on the Taipei Exchange with a code of 2733) on 28 June 2019. Ms. Hu was appointed as the chairman of the board of directors of Benepet Co., Ltd. (益寵生醫股份有限公司) in July 2017. Ms. Hu is now the vice chairlady of the board of BeneLife Management Limited since February 2018. Ms. Hu has been the Corp. CFO, Global Finance, of Acer Incorporated, a company listed on the Taiwan Stock Exchange for the period from May 2014 to June 2017. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. Ms. Hu is currently an independent non-executive director of Superactive Group Company Limited (formerly known as “United Pacific Industries Limited”) (stock code: 176) since November 2013 and an independent non-executive director of LVGEM (China) Real Estate Investment Company Limited (stock code: 95), both companies are listed on the Main Board of the Stock Exchange. Ms. Hu was an independent non-executive director of Carnival Group International Holding Limited (嘉年華國際控股有限公司) (Stock Code: 996), a company listed on the Main Board of the Stock Exchange, from 16 December 2013 to 24 April 2019. She has over 25 years of experience in accounting and finance.

BIOGRAPHIES OF DIRECTORS

Mr. Liu Jian (“Mr. Liu”), aged 66, was appointed as an independent non-executive Director on 19 January 2017. Mr. Liu is also the chairman of each of the Remuneration Committee and the Nomination Committee, and also a member of the Audit Committee. Mr. Liu studied in Computer Sciences (電子計算機專業) and graduated from Shanghai Jiao Tong University (上海交通大學), PRC in August, 1978. Mr. Liu has over 14 years of investment banking experience, during the period from 1995 to 2009, Mr. Liu held senior management position in the investment banking division or initial public offering projects in various investment banks including DBS Asia Capital Limited, CITIC Capital Market Holdings Limited and CITIC Securities International Company Limited. Prior to that, Mr. Liu worked for China Resources Holdings Company Limited and the then Ministry of Foreign Economic Relations and Trade of the PRC (中華人民共和國對外經濟貿易部). Mr. Liu is currently an independent non-executive director of China Art Financial Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1572).

Mr. Li Wai Kwan (“Mr. Li”), aged 48, was appointed as an independent non-executive Director on 27 April 2017. Mr. Li is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Li has many years of experience in accounting, finance and investment management. Mr. Li is the chief financial officer of Crystal International Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2232), which is principally engaged in manufacturing of fashion products since November 2018, while Mr. Li is responsible for finance matters for that group. From March 2005 to September 2006, Mr. Li worked for Esprit Holdings Limited, which is listed on the Main Board of the Stock Exchange (stock code: 330) and principally engaged in manufacturing, retail and wholesale distribution of fashion products, and Mr. Li served as a vice president of operational finance and a vice president of finance in Asia Pacific region from March 2005 to September 2006, while Mr. Li was responsible for finance and operational matters. From October 2006 to September 2010, Mr. Li was a vice president of COFCO China Agri-Industries Holdings Limited, which is listed on the Main Board of the Stock Exchange (stock code: 606) and principally engaged in trading on agricultural raw materials, manufacturing and distributing food products, while he was responsible for finance, investment and company secretarial matters. Mr. Li was a managing director and director of the board of COFCO Agricultural Industrial Investment Fund Management Company Limited, which is principally engaged in asset management, from September 2010 to October 2011, and Mr. Li was responsible for managing overall business and investment matters. Mr. Li was a managing director of Origo Partners PLC, whose shares are listed on the London Stock Exchange and principal business is private equity investment, from November 2011 to January 2013, and Mr. Li was responsible for investment matters. Mr. Li was the chief financial officer of Zhuhai Dahengqin Company Limited and its affiliate Zhuhai Dahengqin Property Company Limited, which is principally engaged in primary land development, real estate development, theme park construction and operation, city operational management, and asset management in Hengqin Free Trade Zone, from August 2013 to October 2018, while he was responsible for finance, investment and fund management matters.

Mr. Li is a director, executive committee member and honorary treasurer of the Hong Kong – ASEAN Economic Cooperation Foundation since 2015, a board member of Chartered Professional Accountants of Canada – Hong Kong Chapter since 2017, an Honorary President of the Institute of Certified Management Accountants – Hong Kong & Macau Branch since 2018, a Chairman of Institute of Public Accountants – Hong Kong Branch since 2019, and a Committee member, SME committee of ACCA – Hong Kong Branch since 2019.

BIOGRAPHIES OF DIRECTORS

Mr. Li was the chairman of Investor Relations Committee of the Chamber of Hong Kong Listed Companies from 2008 to 2010, the honorary vice chairman of China Enterprise Reputation and Credibility Association (Overseas) in 2009, the chairman of Partnership and Promotion Committee of the Hong Kong Investor Relations Association from 2009 to 2010, a member of the Organising Committee of Directors of the Year Awards 2010 organised by the Hong Kong Institute of Directors, a committee member of the PRC committee of the Hong Kong Venture Capital and Private Equity Association in 2011, and a committee member of Public Awareness Committee of Hong Kong Society of Financial Analysts in 2016. Mr. Li was a member of Finance Committee of the Hong Kong Housing Authority from 2010 to 2012. Mr. Li was the guest lecturer of the Macau University of Science and Technology in 2016.

Mr. Li graduated from University of Toronto in Canada with a bachelor of commerce degree with distinction in November 1995. Mr. Li further obtained a master of business administration degree from Schulich School of Business, York University in Canada in November 1996. Mr. Li was admitted as a member of the Institute of Certified Management Accountants in August 2000, a chartered financial analyst of the Chartered Financial Analysts Institute in September 2001, a certified general accountant of the Certified General Accountants Association of Canada in October 2002, a certified public accountant of the Hong Kong Institute of Certified Public Accountants in October 2004, a member of the Association of Chartered Certified Accountants in May 2005, an associate of the Institute of Chartered Accountant in England & Wales in June 2008, a fellow of the Association of Chartered Certified Accountants in April 2010, a chartered professional accountant of the Chartered Professional Accountants of British Columbia, Canada in June 2015, a member of Hong Kong Business Accountants Association in December 2015, a fellow of the Institute of Certified Management Accountants in April 2016, a member of the Hong Kong Securities and Investment Institute in August 2016, a fellow of the Institute of Chartered Accountant in England & Wales in June 2018, a fellow of the Institute of Public Accountants in July 2019, a fellow of the Institute of Financial Accountants in July 2019, a business and finance professional of the Institute of Chartered Accountant in England & Wales in December 2019, and a member of the Hong Kong Independent Non-Executive Director Association in December 2019.

Mr. Li is the independent non-executive director of KW Nelson Interior Design and Constructing Group Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8411), since 18 November 2016, the independent non-executive director of Miricor Enterprises Holdings Limited (stock code: 1827) since 19 December 2016, the independent non-executive director of TL Natural Gas Holdings Limited (stock code: 8536) since 18 May 2018, and the independent non-executive director of China Greenfresh Group Company Limited (stock code: 6183) since 20 July 2018, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Li was the independent non-executive director of China Graphene Group Limited (stock code: 63) from 1 February 2018 to 31 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB101,628,000 (2018: RMB149,091,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB93,547,000 (2018: RMB132,260,000); (ii) sale of software products and other products amounted to approximately RMB8,062,000 (2018: RMB15,505,000); and (iii) revenue from other sources amounted to approximately RMB19,000 (2018: RMB1,326,000). The decrease in revenue from the software business was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants.

Gross Profit

For the year ended 31 December 2019, the Group recorded a gross profit of approximately RMB23,325,000 (2018: RMB24,133,000). The gross profit ratio for the software business of the Group during the year was approximately 23% while that of the last corresponding year was approximately 16%. The increase in gross profit ratio was mainly due to the increase of gross profit margin for returning profitability back to previous years' levels.

Distribution Expenses

For the year ended 31 December 2019, distribution expenses were approximately RMB22,837,000 (2018: RMB26,319,000). The decrease in distribution expenses was mainly due to the decrease in staff costs of the software business in the PRC during the year.

General and Administrative Expenses

For the year ended 31 December 2019, general and administrative expenses were approximately RMB21,867,000 (2018: RMB35,877,000). The decrease in general and administrative expenses was mainly due to the decrease in staff costs and forfeiture of an one-off deposit paid for acquisition of a subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss Allowance on Trade and Other Receivables

For the year ended 31 December 2019, the loss allowance on trade and other receivables of aggregate amount of approximately RMB23,576,000 was arisen from the expected credit losses of (i) the trade receivables incurred in the ordinary course of business; (ii) loan receivables made to borrowers with a maturity of 1 to 2 years from date of grant; (iii) other receivables of interest receivables, deposits and receivables from miscellaneous items; and (iv) loan receivables from a related company, Carnival Group (Hong Kong) Holdings Limited of HK\$5,900,000. Having considered the economic uncertainties caused by the US-China trade dispute and the recent outbreak of COVID-19, it is expected that the overall economic environment in the PRC will face a massive challenge in the forthcoming year. The Company engaged an independent valuer, Valplus Consulting Limited (“Valplus”), to perform a measurement of expected credit loss of trade receivables, loan receivables and other receivables. Valplus adopted the simplified approach to measure lifetime expected credit losses by using the provisional matrix based on historical observed data and forward-looking factors as at 31 December 2019 for the valuation of the expected credit loss of trade receivables while general approach by using the probability-weighted loss default model was adopted to measure expected credit losses of loan receivables and other receivables. The above adopted methods and the valuation were based on the information and documents provided by the management of the Company such as lists of breakdowns, the ageing reports, the financial and credit related information of the trade receivables, loan receivables and other receivables and the data concerning the fixed income securities markets from Bloomberg and internationally recognized credit rating agencies. The key assumptions made for the valuation, among others, includes (i) expected loss rate have been adjusted for forward-looking factors by taking into account any observables change in future economic conditions, events and environment; and (ii) the adopted loss rates and/or default probability that were representative to reflect the impact from multiple repayment scenarios of the receivables based on the historical credit status information provided by the management of the Company and sourced from public sources. With reference to the valuation report prepared by Valplus and the additional information collected by the management of the Company, the Board considered that the impairment on trade and other receivables of approximately RMB23,576,000 should be recognised for the year.

Impairment on Prepayments Made to Suppliers

For the year ended 31 December 2019, the impairment on prepayments made to suppliers of aggregate amount of approximately RMB27,150,000 was relating to the prepayments made by the Group to the suppliers in accordance with the purchase contracts entered into with the suppliers in previous years. The prepayments made to suppliers are impaired since the purchase contracts entered into between the Group and the suppliers are due and the relevant services have not been provided owing to declining business performance. The amount of impairment on prepayments made to suppliers of approximately RMB27,150,000 was determined by the Board based on the evaluations of utilization and ageing analysis of accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment on Intangible Assets and Goodwill

For the year ended 31 December 2019, the impairment on intangible assets of an amount of approximately RMB12,446,000 includes, the trademarks in the software business and the software patents comprising 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. For the year ended 31 December 2019, the impairment on goodwill of an amount of RMB19,541,000, being the goodwill allocated to the cash-generating unit (the "CGU") from the provisions of integrated business software solutions in the PRC. Having considered the economic uncertainties caused by the US-China trade dispute and the recent outbreak of COVID-19, it is expected that the Group's software business in the PRC would face a massive challenge in the forthcoming year. Valplus was also engaged by the Company to perform valuation on the value-in-use (the "VIU") of the software business as at 31 December 2019. In assessing the VIU, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. The key assumptions made by Valplus for the recoverable amount are the underlying cash flow projections, revenue growth rate and discount rate used. These calculations are used by 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%. The cash flows are discounted using a discount rate of 24.83%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment. With reference to the valuation report prepared by Valplus, the Board considered that the impairment on intangible assets and goodwill of approximately RMB12,446,000 and RMB19,541,000 respectively should be recognised for the year.

Finance Costs

For the year ended 31 December 2019, finance costs were approximately RMB1,655,000 (2018: RMB1,775,000). The decrease in finance costs was mainly due to the decrease in the interest on short-term borrowings during the year.

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2019 of approximately RMB104,119,000 (2018: RMB39,055,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2019, the Group maintained cash and cash equivalents amounted to approximately RMB64,766,000 (2018: RMB96,446,000). As at 31 December 2019, the Group's current ratio was approximately 3.79 times (2018: 4.58 times); and the Group's net gearing ratio as at 31 December 2019 was not applicable (2018: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 31 December 2019, the Group had no pledge of assets (2018: approximately RMB174,000) 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 owners of the Company, comprising issued share capital, share premium, accumulated losses and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

On 15 January 2020, the Company entered into a placing agreement with the placing agent. 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 was approximately HK\$26,220,000 million and the net proceeds was approximately HK\$25,410,000 (after deduction of commission and other expenses of the placing). The Directors intended to use the net proceeds for the general working capital of the Group.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2019 (2018: Nil).

Material Acquisition and Disposal of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2019.

Employees and Remuneration Policies

As at 31 December 2019, the Group employed 116 (2018: 125) 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 2019, the Group had no significant contingent liability (2018: Nil).

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB101,628,000 for the year ended 31 December 2019 (2018: RMB149,091,000), representing a decrease of approximately 32%. The decrease was mainly due to the decrease in revenue from the Group's software business as compared to the year ended 31 December 2018.

The revenue of the software business amounted to approximately RMB101,609,000 for the year ended 31 December 2019 (2018: RMB147,765,000), representing a decrease of approximately 31%. The decrease was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

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

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

With the economic uncertainties caused by the US-China trade dispute and the recent outbreak of COVID-19, it is expected that the Group's software business in the PRC will face a massive challenge in the 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 is still optimistic on the growth opportunities in the financial services industry and believe that a successful integration of the Group's IT services with the financial service sector could create further income sources and long-term benefits to the Group.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA*

	2019 RMB'000	For the year ended 31 December			2015 RMB'000
		2018 RMB'000	2017 RMB'000	2016 RMB'000	
Revenue	101,628	149,091	300,602	389,723	419,706
Cost of sales	(78,303)	(124,958)	(259,890)	(383,408)	(304,661)
Gross profit	23,325	24,133	40,712	6,315	115,045
(Loss)/profit for the year	(104,119)	(39,055)	(97,712)	(305,284)	13,351
(Loss)/profit attributable to non-controlling interests	(22,256)	(14,054)	4,474	15,725	5,915
(Loss)/profit for the year attributable to equity shareholders of the Company	(81,863)	(25,001)	(102,186)	(321,009)	7,436
					(Restated)
Basic and diluted (loss)/earnings per share (RMB)	(0.155)	(0.047)	(0.198)	(0.797)	0.029

* 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				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets	14,374	41,749	38,554	105,634	275,724
Current assets	173,665	260,623	319,380	367,592	400,309
Current liabilities	(45,875)	(56,926)	(68,354)	(121,238)	(152,372)
Net current assets	127,790	203,697	251,026	246,354	247,937
Total assets less current liabilities	142,164	245,446	289,580	351,988	523,661
Non-current liability	(821)	–	–	(49)	(46)
Net assets	141,343	245,446	289,580	351,939	523,615
Total equity attributable to equity shareholders of the Company	69,628	151,499	181,070	257,585	445,537
Non-controlling interests	71,715	93,947	108,510	94,354	78,078
Total equity	141,343	245,446	289,580	351,939	523,615

	At 31 December				
	2019	2018	2017	2016	2015
Profitability ratios					
Return on shareholder's equity* (Note 1)	(53.84%)	(14.60%)	(30.46%)	(69.74%)	3.13%
Return on assets* (Note 2)	(42.46%)	(11.83%)	(23.51%)	(53.13%)	2.49%
Liquidity ratios					
Current ratio (Note 3)	378.56%	457.83%	467.24%	303.20%	262.72%
Receivables turnover days* (Note 4)	77.64	122.23	98.25	82.20	76.68
Inventory turnover days* (Note 5)	4.37	3.35	2.69	1.63	1.31
Payables turnover days* (Note 6)	59.36	26.64	34.44	41.96	50.31
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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance. During the year ended 31 December 2019, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviations from code provisions A.4.1 and D.1.4 of the CG Code, which are explained below.

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

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

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the year ended 31 December 2019.

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 2019.

CORPORATE GOVERNANCE REPORT

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 five Directors including two executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Lam Kai Tai (*Chairman*)

Mr. Bai Xuefei

Independent Non-Executive Directors

Ms. Hu Gin Ing

Mr. Liu Jian

Mr. Li Wai Kwan

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

Directors' Training

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

All Directors had participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2019 to the Company.

CORPORATE GOVERNANCE REPORT

The individual training record of each Director received for the year ended 31 December 2019 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
<i>Executive Directors</i>	
Mr. Lam Kai Tai (<i>Chairman</i>)	✓
Mr. Bai Xuefei	✓
<i>Independent Non-executive Directors</i>	
Ms. Hu Gin Ing	✓
Mr. Liu Jian	✓
Mr. Li Wai Kwan	✓

Chairman and Chief Executive Officer

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

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

Non-executive Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

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

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

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

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 2019, the Board held five meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance. The relevant Directors’ attendance is shown on page 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 2019, one general meetings of the Company was held, being the 2019 annual general meeting (“2019 AGM”) held on 22 May 2019. 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 three independent non-executive Directors, namely Mr. Liu Jian (chairman), Ms. Hu Gin Ing and Mr. Li Wai Kwan, and one executive Director, namely Mr. Lam Kai Tai.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 2019, the Nomination Committee held one meeting 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 three independent non-executive Directors, namely Mr. Liu Jian (chairman), Ms. Hu Gin Ing and Mr. Li Wai Kwan, and one executive Director, namely Mr. Lam Kai Tai.

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

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 2019, the Remuneration Committee held one meeting for reviewing the remuneration of Directors and senior management. 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 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 three independent non-executive Directors, namely Ms. Hu Gin Ing (chairlady), Mr. Liu Jian and Mr. Li Wai Kwan.

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

CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2019, 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 2019, 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 2019.

	Meetings attended/held in 2019				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Number of meetings held during the year	5	2	1	1	1
Executive Directors					
Mr. Lam Kai Tai (<i>Chairman</i>)	5/5	N/A	1/1	1/1	1/1
Mr. Bai Xuefei	5/5	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Ms. Hu Gin Ing	4/5	2/2	1/1	1/1	1/1
Mr. Liu Jian	5/5	2/2	1/1	1/1	1/1
Mr. Li Wai Kwan	5/5	2/2	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During 2019, the fee payable to the Company's external auditor for providing audit services was approximately RMB529,000.

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella ("Ms. Chan") was appointed as the company secretary of the Company on 1 November 2019.

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 2019.

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.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

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

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

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

Ms. Hu Gin Ing, the chairlady of the Audit Committee, and Mr. Liu Jian, the chairman of each of the Remuneration Committee and the Nomination Committee, attended the 2019 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.

CORPORATE GOVERNANCE REPORT

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 state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2019, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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.

CORPORATE GOVERNANCE REPORT

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 2019 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 2019, 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 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

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

PREPARATION BASIS AND SCOPE

This report is prepared in accordance with Appendix 27 to the Listing Rules – “Environmental, Social and Governance Reporting Guide” and has complied with the “comply or explain” provisions in the Listing Rules.

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

REPORTING PERIOD

This ESG Report demonstrates our sustainability initiatives during the reporting period from 1 January 2019 to 31 December 2019.

CONTACT INFORMATION

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

INTRODUCTION

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

Step 1: Identification – Industry Benchmarking

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

Step 2: Prioritization – Stakeholder Engagement

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

Step 3: Validation – Determining Material Issues

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

As a result of this process carried out in 2019, those important ESG areas to the Group were discussed in this Report.

ENVIRONMENTAL ASPECT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ASPECT A1: EMISSIONS

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

Air Pollutants Emission

Emission control is essential to mitigate the adverse impact on environment and it also prevents human from suffering diseases which are caused by air pollution. Operations of the Group do not result in significant air and gas emissions. Our air pollutants are mainly generated from the mobile sources. The decrease in air pollutants emission in 2019 was mainly attributable to the decrease in revenue generated from provision of integrated business software solutions and decrease in petrol consumption of vehicles during the year.

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

Air Pollutants Emission	Unit	2019 PRC	2019 HK	2019 Total	2018 Total
Nitrogen oxides (NO _x)	kg	2.09	–	2.09	2.17
Sulfur dioxide (SO ₂)	kg	0.46	–	0.46	0.69
Particulate matter (PM)	kg	0.39	–	0.39	0.41

Greenhouse Gas (GHG) Emission

Greenhouse gas is considered as one of the major contributors to the climate change and global warming. Our main sources of GHG emission are vehicles and indirect emission through electricity consumption. The Group endeavours to reduce the carbon footprint by adopting energy saving initiatives as mentioned in the section “Use of Resources”. No GHGs emissions are generated through stationary source as the Group is not engaged in any industrial production. During the reporting period, the GHG emission from scope 1 and scope 2 mainly came from mobile source and purchased electricity respectively. The decrease in total GHG emission in 2019 was mainly attributable to the decrease in revenue generated from provision of integrated business software solutions during the year.

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

GHG Emission ¹	Unit	2019 PRC	2019 HK	2019 Total	2018 Total
Scope 1 ²	tonnes of CO ₂ -e	13.51	–	13.51	20.14
Scope 2 ³	tonnes of CO ₂ -e	17.64	9.38	27.02	52.10
Total	tonnes of CO₂-e	31.15	9.38	40.53	72.24
GHG emission intensity	tonnes of CO ₂ -e/m ²	0.025	0.078		PRC:0.051 HK:0.078

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 emissions from the generation of purchased electricity consumed by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous and Non-hazardous Wastes

The Group's operational activities do not generate any hazardous waste. Our source of non-hazardous waste is the general waste from office operation. The Group did not record the non-hazardous wastes generated in the year 2019. However, in order to better formulate measures to reduce the non-hazardous waste production, we will take initiative to record relevant data in the coming year. Notwithstanding, the Group strives to minimise the environmental impacts by implementing a variety of waste reduction measures in the office as follows:

Paper Saving

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

Materials and Stationery Re-use

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

Green Pantry

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

Recycling

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

ASPECT A2: USE OF RESOURCES

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

Energy Consumption

In view of the scarcity of resources, the Group advocates various energy conservation strategies. For instance, we encourage our staff to turn their computer monitor off at night and ditch the screensaver. Moreover, we unplug our electronic devices to eliminate "vampire power" while they are not in use. In addition, we shut doors and close curtains in order to reduce the costs of heating and cooling without making life uncomfortable. Apart from this, we set the temperature of air-conditioning to an energy-efficient level so that the staff could feel comfortable rather than cold. The decrease in electricity consumption in 2019 was mainly due to the effectively implementation energy saving strategies of the Group. On the other hand, the decrease in petrol consumption during the year was mainly attributable to the decrease in the revenue generated from provision of integrated business software solutions during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Energy Consumption	Unit	2019 PRC	2019 HK	2019 Total	2018 Total
Purchased electricity	kWh in '000s	43.96	11.73	55.69	61.38
Petrol	kWh in '000s	55.06	–	55.06	82.06
Total	kWh in '000s	99.02	11.73	110.75	143.44
Energy consumption intensity	kWh in '000s/m ²	0.08	0.10		PRC:0.11 HK:0.10

Water Consumption

During the year, most of the subsidiaries in the PRC and the subsidiary in Hong Kong were operated in commercial building where the water supply was solely controlled by the property management company. Hence, it was not feasible for the Group to provide water consumption data for these subsidiaries in 2019 as there was no sub-meter to record water usage. In spite of this, the Group strives to reduce unnecessary water consumption by turning off the water taps when they were not in use and reporting to relevant authority immediately in case of leaking faucet. The decrease in water consumption in 2019 was mainly attributable to the Group's effort in conserving water with aforementioned water-saving strategies implemented during the year.

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

Water Consumption	Unit	2019 PRC	2019 HK	2019 Total	2018 Total
Total water consumption	m ³	2,570.11	–	2,570.11	2,922.72
Water consumption intensity	m ³ /m ²	11	–		PRC: 12 HK:–

ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

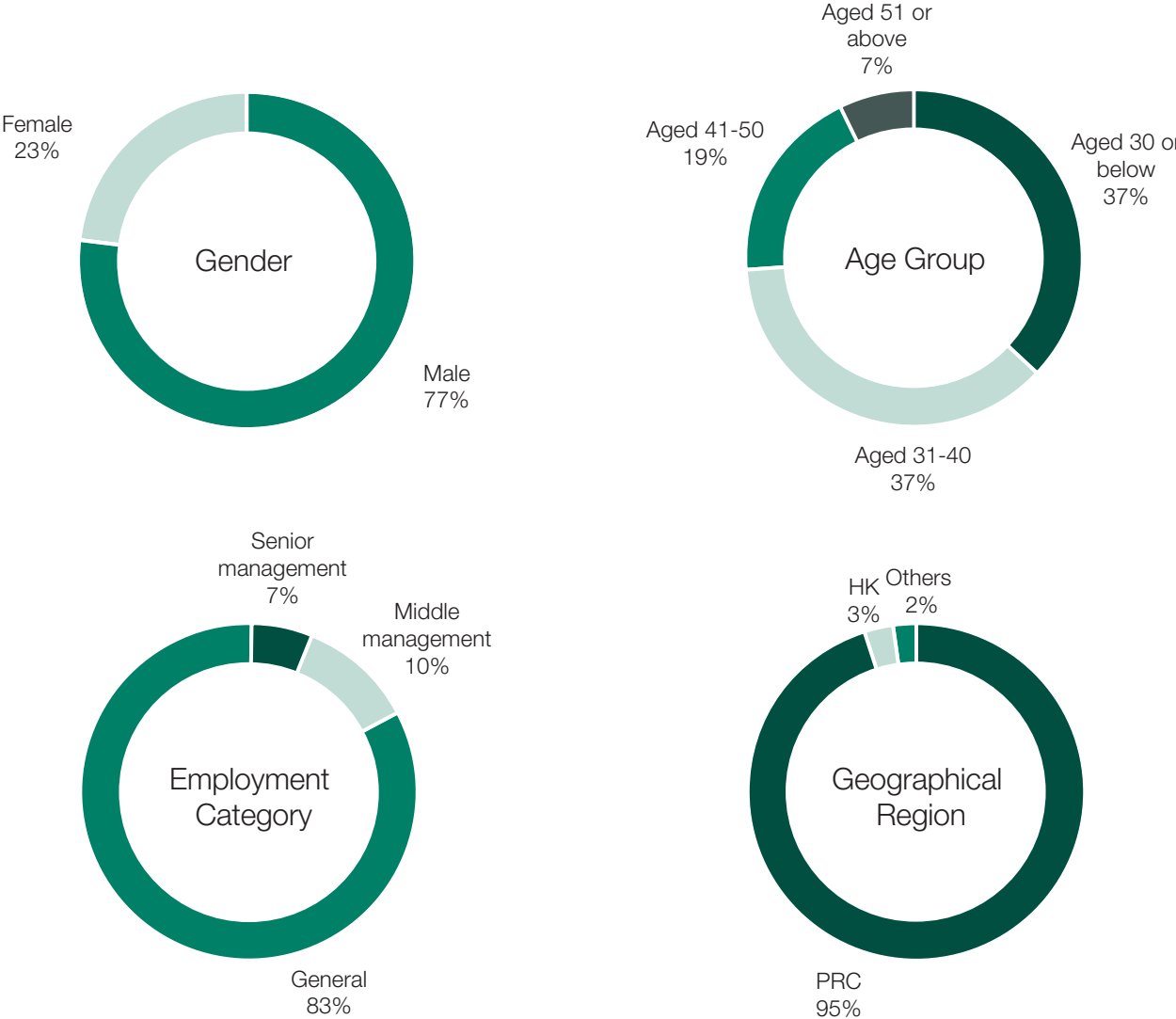
SOCIAL ASPECT

EMPLOYMENT AND LABOUR PRACTICES

ASPECT B1: EMPLOYMENT

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

At the end of the reporting period, the Group has a total number of 116 employees and the employee breakdown by gender, employee category, age group and geographical region are as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The employee turnover rate during the reporting period by gender, age group and geographical region are as follows:

Employee turnover rate	2019	2018
By gender		
– Male	38%	20%
– Female	54%	28%
By age group		
– Age 30 or below	52%	32%
– Age 31-40	40%	20%
– Age 41-50	36%	11%
– Age 51 or above	13%	33%
By geographical region		
– Hong Kong	100%	67%
– The PRC	36%	8%
– Others	–	–
Overall	42%	22%

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

ASPECT B2: HEALTH AND SAFETY

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ASPECT B3: DEVELOPMENT AND TRAINING

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

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

Training	Percentage of employees trained (%)		Average training hours (hours/employee)	
	2019	2018	2019	2018
By gender				
– Male	28%	25%	10	10
– Female	15%	3%	4	24
By employment category				
– Senior management	–	14%	–	3
– Middle management	50%	8%	13	5
– General	24%	21%	8	8

ASPECT B4: LABOUR STANDARDS

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

ASPECT B5: SUPPLY CHAIN MANAGEMENT

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

ASPECT B6: PRODUCT RESPONSIBILITY

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

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

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

ASPECT B7: ANTI-CORRUPTION

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

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

COMMUNITY

ASPECT B8: COMMUNITY INVESTMENT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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KPI A1.1	The types of emissions and respective emissions data	“Emissions Air Pollutant Emission”	29
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	“Emissions-Greenhouse Gas Emission”	29
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not applicable to the Group’s business.	–
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	No significant amount of non-hazardous waste was generated.	30
KPI A1.5	Description of measures to mitigate emissions and results achieved	“Emissions-Greenhouse Gas Emission”	29
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	“Emissions-Hazardous and Non-hazardous Wastes”	30
A2: Use of Resources			
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KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	“Use of Resources – Energy”	30
KPI A2.2	Water consumption in total and intensity	Not feasible for the Group to obtain the data.	31
KPI A2.3	Description of energy use efficiency initiatives and results achieved	“Use of Resources – Energy”	30
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	“Use of Resources – Water”	31
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable to the Group’s business.	–
A3: The Environment and Natural Resources			
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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General Disclosure		“Employment”	32
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	“Employment”	32
KPI B1.2	Employee turnover rate by gender, age group and geographical region	“Employment”	33
B2: Health and safety			
General Disclosure		“Health and Safety”	33
KPI B2.1	Number and rate of work-related fatalities	No case of work-related fatality was noted.	–
KPI B2.2	Lost days due to work injury	No case of lost days due to work injury was noted.	–
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	“Health and Safety”	33
B3: Development and Training			
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KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	“Labour Standards”	34
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	–	–
B6: Product Responsibility			
General Disclosure		“Product Responsibility”	35
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No complaint regarding product responsibility was noted.	–
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	–	–
KPI B6.4	Description of quality assurance process and recall procedures	–	–
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	“Product Responsibility”	35
B7: Anti-corruption			
General Disclosure		“Anti-corruption”	35
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	No concluded legal case regarding corrupt practices was noted.	–
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	–	–
Community			
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General Disclosure		“Community Investment”	35
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	–	35
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DIRECTORS' REPORT

The Board of Directors has pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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 7 to 11 and "Five-Year Summary and Key Financial Ratios" on pages 12 and 13 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 38.

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 26 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 2019 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 2019, 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 2019 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 53 to 124.

DIRECTORS' REPORT

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Thursday, 28 May 2020 ("2020 AGM"), the register of members of the Company will be closed from Friday, 22 May 2020 to Thursday, 28 May 2020, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 21 May 2020.

DISTRIBUTABLE RESERVES

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB33,269,000 (2018: RMB80,420,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 23(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 2019, 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 12 and 13 of this report.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2018: 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 annual report is set out below:

Executive Directors

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

Independent Non-executive Directors

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

In accordance with Article 87 of the Articles, Mr. Lam Kai Tai and Mr. Liu Jian shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the 2020 AGM.

DIRECTORS' SERVICE CONTRACTS

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

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

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

Mr. Liu Jian, an independent non-executive Director, entered into a service agreement with the Company on 27 March 2020 for a term of three years commencing 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. Li Wai Kwan, an independent non-executive Director, entered into a service contract with the Company on 27 April 2017 and the term of the service contract is for a period of three years commencing from 27 April 2017. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

None of the Directors who are proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out below, other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year are set out in the subsection headed "Capital Structure" under section headed "Management Discussion and Analysis" and also note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

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

The principal terms of the Scheme are summarised as follows:

1. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not exceed 10% of the issued shares of the Company as at 26 May 2016, being the date of approval of the Scheme, which is 417,924,982 shares (the "Scheme Limit") and such limit might be refreshed by shareholders at general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. On 29 June 2016, shareholders of the Company have passed a resolution approving the share consolidation of every ten (10) issued and unissued shares of par value of HK\$0.01 each into one (1) consolidated share of par value of HK\$0.10 each ("Share Consolidation") at the extraordinary general meeting of the Company. Upon the Share Consolidation becoming effective on 30 June 2016, the Scheme Limit has been adjusted to 41,792,498 shares. As at the date of this report, the total number of shares available for issue under the Scheme is 41,792,498 shares, representing approximately 7.94% of the issued shares of the Company.
2. Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.
3. There was no requirement for a grantee to hold the option for a minimum period from the date of grant before any option granted under the Scheme can be exercised.
4. The subscription price shall be determined by the Board in its absolute discretion but in any event shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

DIRECTORS' REPORT

5. An option may be exercised at any time during a period to be determined and notified by the Directors to each Grantee and such period shall not exceed the period of 10 years from the date of grant.
6. The offer of a grant of options may be accepted within 28 days after the date of making the offer and the grantee shall pay HK\$1.00 to the Company by the way of consideration for the grant.
7. Subject to earlier termination by the Company at general meeting, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 May 2016.

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

DIRECTORS' 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.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

Below are the changes in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules up to the date of this report.

Name of Director	Changes
Ms. Hu Gin Ing <i>Independent non-executive Director</i>	resigned as an independent non-executive director of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange stock code: 996) on 24 April 2019

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2019, none of the Directors' or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2019, 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 (38.72%)
Taiping Financial Holdings Company Limited (Note 1)	Person having a security interest in shares	Long Position	203,854,292 (38.72%)
China Insurance Group Finance Company Limited ("China Insurance") (Note 1)	Person having a security interest in shares	Long Position	203,854,292 (38.72%)
King Pak Fu ("Mr. King") (Note 2)	Interest of controlled corporations	Long Position	279,829,792 (53.14%)
		Short Position	203,854,292 (38.72%)
Luck Success Development Limited ("Luck Success") (Note 2)	Beneficial owner	Long Position	186,672,292 (35.45%)
		Short Position	186,672,292 (35.45%)
Rentian Technology Holdings Limited ("Rentian") (Note 2)	Interest of controlled corporations	Long Position	203,854,292 (38.72%)
		Short Position	203,854,292 (38.72%)

Note:

- China Insurance is wholly-owned by Taiping Financial Holdings Company Limited ("Taiping Financial"), which in turn is wholly-owned by China Taiping. Therefore, China Taiping is deemed to be interested in the Shares held by Taiping Financial and China Insurance pursuant to the SFO.

- Mr. King is deemed to be interested in (i) 60,435,500 Shares held through Affluent Start Holdings Investment Limited ("Affluent Start"); (ii) 4,000,000 Shares held through Mystery Idea Limited ("Mystery Idea"); (iii) 11,540,000 Shares held through Elite Mile Investments Limited ("Elite Mile"); (iv) 17,182,000 Shares held through Sino Wealthy Limited; and (v) long position and short positions in the Shares held through Luck Success pursuant to the SFO. Each of Affluent Start, Mystery Idea and Elite Mile is wholly-owned by Mr. King. Sino Wealthy Limited is wholly-owned by Bremwood Holdings Limited, both of Bremwood Holdings Limited and Luck Success are wholly-owned by Gauteng Focus Limited, which is wholly-owned by Rentian, the latter is indirectly controlled by Mr. King as at 31 December 2019.

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 2019.

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 2019.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2019 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2019 are set out in note 21 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2019 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 55% in value of total purchases during the year ended 31 December 2019, while contracts with the Group's largest supplier by value, accounted for approximately 35% in value of total purchases during the year ended 31 December 2019. Aggregate sales attributable to the Group's five largest customers were less than 37% of total revenue during the year ended 31 December 2019.

DIRECTORS' REPORT

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

For the year ended 31 December 2019, the Group has the following connected transaction:

On 21 August 2019, Enterprise Development Investment Holdings Limited ("Enterprise Development Investment"), an indirect wholly-owned subsidiary of the Company, as lender, entered into the loan agreement ("Loan Agreement") with Carnival Group (Hong Kong) Holdings Limited, as borrower, pursuant to which Enterprise Development Investment agreed to provide to Carnival Group (Hong Kong) a loan in the principal amount of HK\$5,900,000 by way of a loan facility at an interest rate of 8% per annum for a term commencing from 21 August 2019 to 20 February 2020, subject to and upon the terms and conditions of the Loan Agreement.

As at the date of entering into the Loan Agreement, Mr. King, a substantial shareholder of the Company, held approximately 14.15% equity interests in the Company. Carnival Group (Hong Kong) is an indirect wholly-owned subsidiary of Carnival Group International Holdings Limited ("Carnival Group", a company listed on the Main Board of the Stock Exchange), in which Mr. King is owned as to approximately 33.51% and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Therefore, the transaction contemplated under the Loan Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements.

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 2019, total staff costs for the year was approximately RMB28,437,000 of which contributions to defined contribution retirement schemes were approximately RMB1,308,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

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

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

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

AUDITOR

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. Save as disclosed above, there was no change in auditor during the past three years.

A resolution will be submitted to the 2020 AGM to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

Enterprise Development Holdings Limited

Lam Kai Tai

Chairman

Hong Kong, 27 March 2020

INDEPENDENT AUDITOR'S REPORT



MAZARS CPA LIMITED

中審眾環(香港)會計師事務所有限公司
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TO THE SHAREHOLDERS OF ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Enterprises Development Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 53 to 124, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONT'D)

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

Impairment review of intangible assets and goodwill

Refer to notes 2, 12 and 15 to these consolidated financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The carrying amount the Group's intangible assets and goodwill amounted to RMB22,908,000 and RMB19,541,000 (before the impairment charge for the year) as at 31 December 2019 respectively.</p> <p>For the purpose of assessing impairment, the goodwill balance is allocated to relevant cash-generating unit ("CGU"), and the recoverable amount of CGU is determined by management based on value-in-use ("VIU") calculations using cash flow projections.</p> <p>Management has concluded an impairment provision of RMB12,446,000 and RMB19,541,000 respectively in respect of the intangible assets and goodwill for the year ended 31 December 2019. 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.</p>	<p>Our procedures, among others, included:</p> <ul style="list-style-type: none"> - Assessing the competency, capability, objectivity and results of the work of independent professional valuers that were appointed by the management and assisted management to determine the recoverable amounts of the CGU; - Evaluating and challenging the appropriateness of the model used by the management to calculate the VIU of the CGU; - Evaluating and challenging the composition of the Group's future cash flow forecasts in the CGU, 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 of the CGU; - Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and - Challenging the adequacy of sensitivity analysis.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONT'D)

Assessment of expected credit loss ("ECL") on trade and other receivables

Refer to notes 2, 18 and 26 to these consolidated financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>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 the 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.</p> <p>The assessment of ECL for trade and other receivables involves significant management judgements and estimates on the amount of ECL at the reporting date.</p>	<p>Our procedures, among others, included:</p> <ul style="list-style-type: none">– Obtaining an understanding of the Group's credit risk management and practices, and assessing the Group's ECL policy in accordance with the requirements of IFRS 9;– Evaluating management's 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 MATTER

The consolidated financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on these consolidated financial statements on 28 March 2019.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2019 annual report 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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, related safeguards.

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, 27 March 2020

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

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	3(a)	101,628	149,091
Cost of sales		(78,303)	(124,958)
Gross profit		23,325	24,133
Other income and gains	4	234	16,698
Distribution expenses		(22,837)	(26,319)
General and administrative expenses		(21,867)	(35,877)
Other operating expenses		(50)	(6)
Loss allowance on trade and other receivables		(23,576)	(17,284)
Impairment on prepayments made to suppliers		(27,150)	–
Impairment on intangible assets	12	(12,446)	–
Impairment on goodwill	15	(19,541)	–
Loss from operation		(103,908)	(38,655)
Finance costs	5(a)	(1,655)	(1,775)
Loss before taxation	5	(105,563)	(40,430)
Income tax credit	6	1,444	1,375
Loss for the year		(104,119)	(39,055)
Attributable to:			
Equity shareholders of the Company		(81,863)	(25,001)
Non-controlling interests		(22,256)	(14,054)
		(104,119)	(39,055)
		RMB	RMB
Basic and diluted loss per share	10	(0.155)	(0.047)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Loss for the year	(104,119)	(39,055)
Other comprehensive income (loss) for the year (after tax)		
<i>Items that are or may be reclassified to profit or loss:</i>		
Reclassification adjustment for exchange reserve released upon disposal of subsidiaries	-	(7,589)
Exchange difference on translation of financial statements of overseas operations	16	3,971
	16	(3,618)
Total comprehensive loss for the year	(104,103)	(42,673)
Attributable to:		
Equity shareholders of the Company	(81,871)	(28,694)
Non-controlling interests	(22,232)	(13,979)
Total comprehensive loss for the year	(104,103)	(42,673)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	11	432	851
Intangible assets	12	10,462	21,011
Right-of-use assets	14	3,134	–
Goodwill	15	–	19,541
Deferred tax assets	22	346	346
		14,374	41,749
Current assets			
Inventories	16	937	937
Contract assets	17	16,464	14,387
Trade and other receivables	18	91,498	148,679
Pledged bank deposits	19	–	174
Cash and cash equivalents	19	64,766	96,446
		173,665	260,623
Current liabilities			
Trade and other payables	20	23,460	13,209
Contract liabilities	17	1,042	11,133
Lease liabilities	14	2,378	–
Interest-bearing borrowings	21	16,214	28,390
Current taxation		2,781	4,194
		45,875	56,926
Net current assets		127,790	203,697
Total assets less current liabilities		142,164	245,446
Non-current liability			
Lease liabilities	14	821	–
NET ASSETS		141,343	245,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Capital and reserves			
Share capital	23(a)	44,711	44,711
Reserves	23(b)	24,917	106,788
Total equity attributable to equity shareholders of the Company			
		69,628	151,499
Non-controlling interests			
		71,715	93,947
TOTAL EQUITY		141,343	245,446

These consolidated financial statements on pages 53 to 124 were approved and authorised for issue by the Board of Directors on 27 March 2020 and signed on its behalf by

Lam Kai Tai
Director

Bai Xuefei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the equity shareholders of the Company								Total equity RMB'000
	Share capital RMB'000 (Note 23(a))	Share premium RMB'000 (Note 23 (b)(i))	Other reserve RMB'000 (Note 23 (b)(ii))	PRC			Accumulated losses RMB'000	Non-controlling interests RMB'000	
				statutory reserve RMB'000 (Note 23 (b)(iii))	Exchange reserve RMB'000 (Note 23(b)(iv))	Sub-total RMB'000			
At 1 January 2018 (previously stated)	44,711	530,446	(8,440)	8,483	26,690	(420,820)	181,070	108,510	289,580
Impact on initial application of IFRS 9	-	-	-	-	-	(877)	(877)	(584)	(1,461)
At 1 January 2018 (restated)	44,711	530,446	(8,440)	8,483	26,690	(421,697)	180,193	107,926	288,119
Loss for the year	-	-	-	-	-	(25,001)	(25,001)	(14,054)	(39,055)
Other comprehensive (loss) income:									
<i>Items that are or may be reclassified to profit or loss:</i>									
Reclassification adjustment for exchange reserve released upon disposal of subsidiaries	-	-	-	-	(7,589)	-	(7,589)	-	(7,589)
Exchange difference on translation of financial statements of overseas operations	-	-	-	-	3,896	-	3,896	75	3,971
	-	-	-	-	(3,693)	-	(3,693)	75	(3,618)
Total comprehensive loss for the year	-	-	-	-	(3,693)	(25,001)	(28,694)	(13,979)	(42,673)
At 31 December 2018 and 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 income:									
<i>Items that are or may be reclassified to profit or loss:</i>									
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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Loss before taxation		(105,563)	(40,430)
Adjustment for:			
– Depreciation of property, plant and equipment	11	457	808
– Amortisation of intangible assets	12	1,331	1,802
– Depreciation of right-of-use assets	14	2,742	–
– Impairment on goodwill	15	19,541	–
– Impairment on intangible assets	12	12,446	–
– Impairment on prepayments made to suppliers		27,150	–
– (Reversal of) Loss allowance on contract assets	17	(115)	134
– Loss allowance on trade and other receivables		23,576	17,284
– Interest income	4	(32)	(70)
– Loss on disposal of property, plant and equipment		4	55
– Gain on disposal of right-of-use assets		(5)	–
– Gain on disposal of subsidiaries		–	(16,078)
– Finance costs	5(a)	1,655	1,775
Changes in working capital:			
Decrease in inventories		–	418
Decrease in trade and other receivables		6,008	26,582
Increase in contract assets		(1,962)	(14,521)
(Decrease) Increase in contract liabilities		(10,091)	11,133
Increase (Decrease) in trade and other payables		10,251	(13,473)
Cash used in operations		(12,607)	(24,581)
Tax paid:			
– PRC income taxes paid		(107)	(483)
– PRC income taxes refunded		138	689
Net cash used in operating activities		(12,576)	(24,375)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	11	(108)	(1,260)
Payment for intangible assets	12	(3,228)	(4,706)
Proceeds from disposal of property, plant and equipment		67	71
Decrease in pledged bank deposits	19(a)	174	103
Interest received	4	32	70
Net cash used in investing activities		(3,063)	(5,722)
FINANCING ACTIVITIES			
Proceeds from new interest-bearing borrowings	19(b)	11,744	26,420
Repayment of interest-bearing borrowings	19(b)	(24,000)	(26,000)
Repayment of lease liabilities	19(b)	(2,673)	–
Finance costs paid	19(b)	(1,655)	(1,775)
Net cash used in financing activities		(16,584)	(1,355)
Net decrease in cash and cash equivalents		(32,223)	(31,452)
Cash and cash equivalents at 1 January		96,446	122,971
Effect of foreign exchange rate changes		543	4,927
Cash and cash equivalents at 31 December	19(a)	64,766	96,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019, the holding company of the Company is Luck Success Development Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability, which is an indirect wholly-owned subsidiary of Rentian Technology Holdings Limited (“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. 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 basis except that the financial instruments classified as trading securities (see note 1(f)) are stated at their fair value as explained in the accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

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:

Annual Improvements to IFRSs	2015–2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Employee Benefits
Amendments to IAS 28	Investments in Associates and Joint Ventures
IFRS 16	Leases

(i) Annual Improvements Project – 2015-2017 Cycle

IFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Annual Improvements Project – 2015-2017 Cycle (cont'd)

IFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

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

IAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in IFRS 9.

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

IAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

(ii) IFRIC 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Amendments to IAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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

(iv) Amendments to IAS 28: Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using IFRS 9.

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

(v) IFRS 16: Leases

IFRS 16 replaces IAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under IAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 also requires enhanced disclosures to be provided by lessees.

The Group has applied IFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated and continues to be reported under IAS 17.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied IFRS 16 only to contracts that were previously identified as leases applying IAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying IFRS 16.

Before the adoption of IFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of IFRS the Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA and applied the following practical expedients on a lease-by-lease basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(v) IFRS 16: Leases (cont'd)

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying IAS 37, as an alternative to performing an impairment review at the DIA;
- (c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA (“short-term leases”) and low-value assets;
- (d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA;
- (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the DIA. The Group has applied incremental borrowing rate of 5% to the lease liabilities at the DIA.

Reconciliation of operating lease commitments disclosed applying IAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows:

	RMB'000
Operating lease commitments at 31 December 2018	1,672
Discounted using the lessee’s incremental borrowing rate at the DIA	1,628
Less: Short-term leases with remaining lease term ending on or before 31 December 2019	(300)
Lease liabilities as at 1 January 2019	1,328

At the DIA, all right-of-use assets were presented within the line item “right-of-use assets” on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(v) IFRS 16: Leases (cont'd)

As a result, transfer was made at the DIA to reflect the change in presentation:

	31 December 2018 RMB'000	Impact on initial application of IFRS 16 RMB'000	1 January 2019 RMB'000
Assets			
Right-of-use assets	–	1,328	1,328
Liabilities			
Lease liabilities	–	1,328	1,328

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

(e) Goodwill

Goodwill represents the excess of

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e). 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(v)(iii).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 capitalized 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Operating lease charges

Applicable from 1 January 2019

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.

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 term

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Operating lease charges (cont'd)

Applicable from 1 January 2019 (cont'd)

As lessee (cont'd)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Operating lease charges (cont'd)

Applicable from 1 January 2019 (cont'd)

As lessee (cont'd)

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.

Applicable before 1 January 2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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(v)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

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

Write-off policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of other non-current assets

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

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

Recognition of impairment losses

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

Reversals of impairment losses

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 prepayments 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) Prepayments made to suppliers

Prepayments 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(x)).

(p) Trade and other payables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for 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(v)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(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 PRC are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Income tax

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

Current tax is the expected tax 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Income tax (cont'd)

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

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

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

(u) Provisions and contingent liabilities

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

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

(v) Revenue and other revenue

Nature of goods or services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) 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.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Transaction price: significant financing components (cont'd)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Translation of foreign currencies

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

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

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.

(x) Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(y) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(z) 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 reassess the estimation at the end of each reporting period.

(b) Loss allowance of trade and other receivables

The Group estimates the loss allowances for trade 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 expected credit loss of trade and other receivables during the expected lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 prepayments 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 prepayments 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

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:

	2019 RMB'000	2018 RMB'000
Software maintenance and other services	93,547	132,260
Sale of software products and others products	8,062	15,505
Others	19	1,326
	101,628	149,091

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

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
<i>Disaggregated by major products and services</i>		
Software maintenance and other services	93,547	132,260
Sales of software products and others products	8,062	15,505
Revenue from other sources		
Others	19	1,326
	101,628	149,091
Timing of revenue recognition		
At a point in time	8,062	15,505
Over time	93,566	133,586
	101,628	149,091

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. REVENUE AND SEGMENT REPORTING (cont'd)

(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

(i) Segment results, assets and liabilities

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

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

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

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

In addition to receiving segment information concerning adjusted loss before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to noncurrent 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.

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 2019 and 2018 is set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

	Software Business		Others		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue						
Revenue from external customers	101,609	147,765	19	1,326	101,628	149,091
Reportable segment revenue	101,609	147,765	19	1,326	101,628	149,091
Reportable segment loss						
Adjusted loss before taxation	(79,784)	(36,468)	(21,158)	(7,503)	(100,942)	(43,971)
Interest income from bank deposits	32	70	-	-	32	70
Interest expenses	1,258	1,392	-	-	1,258	1,392
Depreciation and amortisation for the year	4,516	2,532	14	38	4,530	2,570
Impairment on prepayments made to suppliers	27,150	-	-	-	27,150	-
Impairment on goodwill	19,541	-	-	-	19,541	-
Impairment on intangible assets	12,446	-	-	-	12,446	-
Loss allowance on trade and other receivables	2,983	9,693	20,593	7,591	23,576	17,284
Reportable segment assets	186,177	279,322	589	15,319	186,766	294,641
Additions to non-current segment assets during the year	8,202	5,966	-	-	8,202	5,966
Reportable segment liabilities	40,172	50,946	-	-	40,172	50,946

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

	2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment revenue	101,628	149,091
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(100,942)	(43,971)
Unallocated head office and corporate (expenses) income	(4,621)	3,541
Consolidated loss before taxation	(105,563)	(40,430)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

	2019 RMB'000	2018 RMB'000
Assets		
Reportable segment assets	186,766	294,641
Deferred tax assets	346	346
Unallocated head office and corporate assets	927	7,385
Consolidated total assets	188,039	302,372
Liabilities		
Reportable segment liabilities	40,172	50,946
Unallocated head office and corporate liabilities	6,524	5,980
Consolidated total liabilities	46,696	56,926

(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, right-of-use assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets, right-of-use assets and goodwill.

	Revenue from external customers		Specified non- current assets	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
The PRC	101,609	147,765	13,988	41,337
Hong Kong	19	1,326	40	66
	101,628	149,091	14,028	41,403

For the years ended 31 December 2019 and 2018, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Interest income from bank deposits	32	70
Gain on disposal of subsidiaries	–	16,078
Gain on disposal on financial assets at fair value through profit or loss	133	507
Others	69	43
	234	16,698

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

	2019 RMB'000	2018 RMB'000
(a) Finance costs		
Interest on interest-bearing borrowings	1,458	1,775
Interest on lease liabilities	197	–
	1,655	1,775
(b) Staff costs		
Salaries, wages and other benefits	27,129	30,090
Contributions to defined contribution retirement schemes (note 24)	1,308	1,619
	28,437	31,709
(c) Other items		
Cost of inventories (note 16)	–	418
Auditor's remuneration		
– Audit-related assurance services	529	675
– Other services	–	551
Depreciation of property, plant and equipment (note 11)	457	808
Amortisation of intangible assets (note 12)	1,331	1,802
Depreciation of right-of-use assets (note 14)	2,742	–
Loss on disposal of property, plant and equipment	4	–
Leases expenses of other premises under short term leases	974	–
Rental expenses for leases previously classified as operating leases under IAS 17	–	3,986
(Reversal of) Loss allowance on contract assets	(115)	134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. INCOME TAX CREDIT

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

	2019 RMB'000	2018 RMB'000
Current tax – the PRC		
Provision for the year	105	325
Over provision in respect of prior year	(1,549)	(1,700)
	(1,444)	(1,375)

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

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25% (2018: 25%).

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the years ended 31 December 2019 and 2018 as it was awarded high-technology status by the tax authority.

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 for the years ended 31 December 2019 and 2018.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2019 and 2018.

- (ii) Reconciliation between income tax expense and loss before taxation at applicable tax rates:

	2019 RMB'000	2018 RMB'000
Loss before taxation	(105,563)	(40,430)
Tax calculated at applicable tax rates of 25% (2018: 25%)	(26,390)	(10,107)
Tax effect of different tax rates of operations in other jurisdictions	2,383	601
Effect of non-deductible expenses	7,052	310
Effect of non-taxable income	(58)	–
Effect of tax loss not recognised	2,779	9,942
Effect of temporary difference not recognised	10,360	–
Effect of tax concessions	3,979	(421)
Over-provision in respect of prior years	(1,549)	(1,700)
Tax credit	(1,444)	(1,375)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Year ended 31 December 2018					
	Directors' fees	Salaries, allowance and benefits-in-kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Lam Kai Tai	-	417	-	15	432
Executive directors					
Ms. Fan Carol (Resigned on 27 June 2018)	-	625	-	9	634
Mr. Li Jiang Nan (Resigned on 1 June 2018)	-	102	-	5	107
Mr. Bai Xuefei (Appointed on 1 June 2018)	-	118	-	6	124
Independent non-executive directors					
Mr. Liu Jian	203	-	-	-	203
Mr. Li Wai Kwan	203	-	-	-	203
Ms. Hu Gin Ing	203	-	-	-	203
	609	1,262	-	35	1,906

There were no amounts paid during the years ended 31 December 2019 and 2018 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 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2018: Nil) of them is a director. The aggregate of the emoluments in respect of the other five (2018: five) individuals are as follows:

	2019	2018
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	3,681	4,255
Retirement scheme contributions	205	156
	3,886	4,411
Number of senior management	5	5

The emoluments of the five (2018: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2019	2018
Nil – HK\$1,000,000	4	2
HK\$1,000,001 – HK\$1,500,000	1	3
	5	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 2019 and 2018.

9. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2019 (2018: 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 2019 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB81,863,000 (2018: approximately RMB25,001,000) and the weighted average of 526,508,982 (2018: 526,508,982) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in issue as at 31 December 2019 (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2018	813	5,671	6,484
Exchange adjustments	12	20	32
Additions	719	541	1,260
Disposals	(611)	(132)	(743)
Elimination on disposal of subsidiaries	(77)	(309)	(386)
At 31 December 2018 and 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	778	5,511	6,289
Accumulated depreciation:			
At 1 January 2018	(764)	(5,160)	(5,924)
Exchange adjustments	(8)	(59)	(67)
Charge for the year	(346)	(462)	(808)
Elimination on disposal of subsidiaries	77	309	386
Written back on disposals	524	93	617
At 31 December 2018 and 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	(573)	(5,284)	(5,857)
Net book value:			
At 31 December 2019	205	227	432
At 31 December 2018	339	512	851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. INTANGIBLE ASSETS

	Customer relationships	Customer contracts	Trademarks (note (i))	Firewall patents	Software patents (note (ii))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Costs:						
At 1 January 2018	7,262	3,015	2,815	665	16,124	29,881
Additions	-	-	-	-	4,706	4,706
At 31 December 2018 and 1 January 2019	7,262	3,015	2,815	665	20,830	34,587
Additions	-	-	-	-	3,228	3,228
At 31 December 2019	7,262	3,015	2,815	665	24,058	37,815
Accumulated amortisation and impairment:						
At 1 January 2018	(7,262)	(3,015)	-	(665)	(832)	(11,774)
Charge for the year	-	-	-	-	(1,802)	(1,802)
At 31 December 2018 and 1 January 2019	(7,262)	(3,015)	-	(665)	(2,634)	(13,576)
Impairment	-	-	(1,246)	-	(11,200)	(12,446)
Charge for the year	-	-	-	-	(1,331)	(1,331)
At 31 December 2019	(7,262)	(3,015)	(1,246)	(665)	(15,165)	(27,353)
Net book value:						
At 31 December 2019	-	-	1,569	-	8,893	10,462
At 31 December 2018	-	-	2,815	-	18,196	21,011

The amortisation charge for the years ended 31 December 2019 and 2018 are included in "cost of sales" in the consolidated statement of profit or loss.

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, used in the impairment assessment of the Software Business's cash-generating unit ("CGU") (see note 15) and a discount rate of 28.5% (2018: 26.5%). The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2018: 3%).

During the year ended 31 December 2019, an impairment loss of approximately RMB1,246,000 (2018: Nil) was recognised in respect of the trademark.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. INTANGIBLE ASSETS (cont'd)

Notes: (cont'd)

(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 directors conducted a review of the Group's intangible assets and determined that intangible assets included in the Software Business's CGU was impaired during the year ended 31 December 2019. Particulars of the impairment loss recognised are disclosed in note 15 to the consolidated financial statements.

13. INVESTMENTS IN SUBSIDIARIES

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

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

Name of subsidiaries	Place of incorporation/ establishment and operation	Percentage of equity interests held by the Company		Particulars of issued share capital/paid up capital	Principal activities
		Direct	Indirect		
		%	%		
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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

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.

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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
NCI percentage	40%	40%	40%	40%	40%	40%
Current assets	126,514	182,953	38,498	42,927	51,846	48,878
Non-current assets	46,984	54,694	13,603	13,655	2,123	940
Current liabilities	(54,094)	(72,177)	(829)	(2,233)	(23,311)	(18,750)
Non-current liabilities	-	-	-	-	(821)	-
Net assets	119,404	165,470	51,272	54,350	29,837	31,068
Carrying amounts of NCI	47,762	66,188	20,509	21,740	11,935	12,427
Revenue	65,285	110,238	1,896	4,786	36,223	48,839
Loss for the year	(44,336)	(17,250)	(3,027)	(2,499)	(3,172)	(5,016)
Total comprehensive loss	(44,336)	(17,250)	(3,027)	(2,499)	(3,172)	(5,016)
Loss allocated to NCI	(17,734)	(6,900)	(1,211)	(1,000)	(1,269)	(2,006)
Dividend paid to NCI	-	-	-	-	-	-
Cash flows from (used in)						
operating activities	493	1,472	(90)	(891)	(306)	(3,787)
Cash flows (used in) from						
investing activities	(3,070)	(5,058)	-	(6)	4	23
Cash flows (used in) from						
financing activities	(12,578)	1,497	-	-	(3,606)	(2,469)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Office premises RMB'000
Costs:	
At 1 January 2019	–
Recognition upon adoption of IFRS 16	1,328
Written off	(679)
Additions	4,866
At 31 December 2019	5,515
Accumulated depreciation:	
At 1 January 2019	–
Written off	361
Charge for the year	(2,742)
At 31 December 2019	(2,381)
Net book value:	
At 31 December 2019	3,134

Lease liabilities

	2019 RMB'000
Current portion	2,378
Non-current portion	821
	3,199

The Group's right-of-use assets represent the leases of various offices. Rental contracts are typically made for 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% to the lease liabilities.

Until the year ended 31 December 2018, leases of offices were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Lease liabilities (cont'd)

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:

	2019 RMB'000	2018 RMB'000
Lease payments		
Short-term leases	974	–
Operating lease payments	–	3,986
Expenses recognised in profit or loss	974	3,986
Lease payments:		
Interest on lease liabilities	197	–
Under leases	2,673	–
Total cash outflows for leases	3,844	3,986

Commitments under leases

At 31 December 2019, the Group was committed to RMB296,000 for short-term leases.

At 31 December 2018

The total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2018 RMB'000
Less than one year	1,335
Between one and two years	337
	1,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. GOODWILL

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

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

	2019 RMB'000	2018 RMB'000
Software Business	–	19,541

Impairment tests for CGU containing goodwill

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% (2018: 3%). The cash flows are discounted using a discount rate of 24.83% (2018: 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 RMB19,541,000 (2018: Nil) and RMB11,200,000 (2018: Nil) were recognised in respect of goodwill and intangible assets respectively for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. GOODWILL (cont'd)

If the budgeted gross profit margin used in the VIU calculation had been 0.5% lower than management's estimates at 31 December 2019, the Group would have had to recognise an further impairment against the carrying amount of intangible assets of RMB5,200,000.

If the budgeted revenue over the five-year forecasted period used in the VIU calculation had been 0.5% lower than management's estimates at 31 December 2019, the Group would have had to recognise an further impairment against the carrying amount of intangible assets of RMB6,800,000.

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 an further impairment against the intangible assets of RMB3,000,000.

16. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2019 RMB'000	2018 RMB'000
Standard hardware and accessories	931	931
Low value consumables	6	6
	937	937

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

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold recognised in cost of sales	-	418

17. CONTRACT ASSETS AND LIABILITIES

	Notes	2019 RMB'000	2018 RMB'000
Contract assets	(a)	16,483	14,521
Less: Loss allowance		(19)	(134)
		16,464	14,387
Contract liabilities	(b)	1,042	11,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. CONTRACT ASSETS AND LIABILITIES (cont'd)

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:

	2019 RMB'000	2018 RMB'000
At 1 January	14,521	12,709
Transferred to trade receivables	(14,521)	(12,709)
Recognition of revenue	16,483	14,521
At 31 December	16,483	14,521

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 increase in contract assets in 2019 was the result of the increase in the provision of maintenance and other services at the end of the year.

At 31 December 2019, the contract assets that are expected to be settled within 12 months are RMB16,483,000 (2018: RMB14,521,000).

- (b) Movements in contract liabilities:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	11,133	8,794
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	(11,133)	(8,794)
Increase in contract liabilities excluding amounts recognised as revenue during the year	1,042	11,133
Balance at 31 December	1,042	11,133

At 31 December 2019, the contract liabilities that are expected to be settled within 12 months are RMB1,042,000 (2018: RMB11,133,000).

The significant decrease in contract liabilities in the current year was mainly due to drop in advance from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. TRADE AND OTHER RECEIVABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables, net of loss allowance	(a)	22,866	20,371
Loan receivables from third parties	(b)	23,631	23,208
Loan receivables from a related company	(c)	5,275	–
Less: loss allowance of loan receivables		(28,906)	(8,795)
Loan receivables, net of loss allowance	(d),(e)	–	14,413
Prepayments made to suppliers, net of loss allowance	(f)	48,651	94,108
Deposits and other receivables, net of loss allowance		19,981	19,787
		68,632	113,895
		91,498	148,679

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

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:

	2019 RMB'000	2018 RMB'000
Within 1 month	12,177	11,181
Over 1 month but less than 3 months	8,061	5,399
Over 3 months but less than 1 year	1,957	2,462
Over 1 year but less than 2 years	459	1,068
Over 2 years	212	261
	22,866	20,371

Trade receivables are generally due within 90 (2018: 90) days from the date of billing. Further details of the Group's credit policy are set out in note 26(a).

- (b) As at 31 December 2019, loan receivables were unsecured, carried at fixed interest rate of ranging from 7% to 12% per annum and overdue (2018: (1) loan receivables RMB16,857,000 were unsecured, carried at fixed interest rate of ranging from 8% to 12% per annum and within the respective maturity dates; and (2) remaining loan receivables of RMB7,513,000 were unsecured, carried at fixed interest rate of ranging from 7% to 10% per annum and overdue). The loan receivables were denominated in HK\$.
- (c) The loan from a related company was unsecured, carried fixed interest rate at 8% and is repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. TRADE AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

- (d) 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:

	2019 RMB'000	2018 RMB'000
Repayable	-	-
Within 1 month	-	-
Over 1 month but less than 3 months	-	-
Over 3 months but less than 1 year	-	14,413
	-	14,413

- (e) 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:

	2019 RMB'000	2018 RMB'000
Within 1 month	-	-
Over 1 month but less than 3 months	-	14,237
Over 3 months but less than 1 year	-	176
	-	14,413

Further details of the Group's credit policy are set out in note 26(a).

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

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

As at 31 December 2019, the unutilised prepayments, net of loss allowance amounted to RMB48,651,000 (2018: RMB94,108,000). The directors have reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group. The directors consider that there is significant uncertainty on the recovery of certain prepayments. Accordingly, an impairment loss of RMB27,150,000 (2018: Nil) has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

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 17% (2018: 18%) and 27% (2018: 41%) of the total prepayments made to the Group's largest supplier and the five largest suppliers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

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

	2019 RMB'000	2018 RMB'000
Cash on hand	27	65
Deposits on demand	64,739	96,555
Cash and bank deposits (note(i))	64,766	96,620
Pledged bank deposits (note(ii))	-	(174)
Cash and cash equivalents as stated in the consolidated statement of cash flows	64,766	96,446

Notes:

- (i) Included in cash and bank deposits were approximately RMB63,216,000 (2018: approximately RMB82,544,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.
- (ii) At 31 December 2018, the bank deposits were pledged to secure trade finance facilities to the Group, have a maturity period not more than one year and are therefore classified as current assets.

(b) Reconciliation of liabilities arising from financing activities:

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

	Lease liabilities RMB'000 (Note 14)	Interest- bearing borrowing RMB'000 (Note 21)	Total RMB'000
At 1 January 2018	-	27,742	27,742
Change from financing cash flows:			
Proceeds from new interest-bearing borrowings	-	26,420	26,420
Repayment of interest-bearing borrowings	-	(26,000)	(26,000)
Finance costs paid	-	(1,775)	(1,775)
Total changes form financing cash flows	-	(1,355)	(1,355)
Other changes:			
Finance costs	-	1,775	1,775
Exchange adjustments	-	228	228
Total other changes	-	2,003	2,003
At 31 December 2018	-	28,390	28,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS 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 21)	Total RMB'000
At 31 December 2018	–	28,390	28,390
Impact on initial application of IFRS 16 (note 1(c))	1,328	–	1,328
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 from financing cash flows	(2,870)	(13,714)	(16,584)
Other changes:			
Finance costs	197	1,458	1,655
Written off	(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. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade creditors	17,476	7,992
Non-trade payables and accrued expenses	5,171	4,716
Other tax payables	813	501
	23,460	13,209

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. TRADE AND OTHER PAYABLES (cont'd)

The credit period of trade payables is normally within 90 (2018: 90) days. As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Due within 1 month or on demand	7,564	5,103
Due after 1 month but within 3 months	7,669	2,719
Due after 3 months but within 6 months	2,203	130
Due after 6 months but within 1 year	40	40
	17,476	7,992

21. INTEREST-BEARING BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Loan from a third party, unsecured and unguaranteed	(a)	4,470	4,390
Loan from a fellow subsidiary, unsecured and unguaranteed	(b)	6,744	–
Banking borrowings, unsecured and guaranteed	(c)	5,000	16,000
Banking borrowings, secured and unguaranteed	(d)	–	8,000
		16,214	28,390

Notes:

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

The loan due to an independent third party is denominated in HK\$ (2018: HK\$), unsecured, carried interest rate of 9% (2018: 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\$, unsecured, carried interest rate of 10% per annum and is repayable within one year.

- (c) Banking borrowings, unsecured and guaranteed

The bank borrowings carried interest at the prevailing interest rate of loan prime rate plus 15 – 20 basis points (2018: (i) at the prevailing interest rate of loan prime rate plus 55 basis points; or (ii) at fixed rate of 5.655% per annum). At the end of the reporting period, (i) bank borrowings of RMB3,000,000 (2018: RMB6,000,000) was guaranteed by a subsidiary; and (ii) bank borrowings of RMB2,000,000 (2018: RMB10,000,000) was guaranteed by a third party. The bank borrowings are repayable within one year.

- (d) Banking borrowings, secured and unguaranteed

The bank borrowing carried interest at the prevailing interest rate of loan prime rate plus 0.475% and was secured by certain trade receivables. The borrowing was repaid during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. 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 31 December 2018 and 1 January 2019 and 31 December 2019	346

(b) Deferred tax assets not recognised

	2019 RMB'000	2018 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	63,171	–
Tax losses	48,061	33,656
At the end of the reporting period	111,232	33,656

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 unrecognized tax losses are as follows:

	2019 RMB'000	2018 RMB'000
Tax loss without expiry date	33,874	33,656
Tax losses expiring on 31 December 2024	14,187	–
	48,061	33,656

(c) Deferred tax liabilities not recognised

At 31 December 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB19,918,000 (2018: RMB48,720,000). Deferred tax liabilities of approximately RMB996,000 (2018: RMB3,367,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. SHARE CAPITAL AND RESERVES

(a) Share capital

	2019		2018	
	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 and 31 December	526,508,982	52,650,898	526,508,982	52,650,898
		RMB equivalent		RMB equivalent
		44,711,310		44,711,310

(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 ownerships 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.

(iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. SHARE CAPITAL AND RESERVES (cont'd)

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

(iv) 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 these foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(c) Capital management

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing borrowings less cash and capital is defined as the total equity. As at 31 December 2019, the Group had cash in excess of interest-bearing borrowings. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or raise new debts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. The contribution rates of the PRC subsidiaries employees administered by various municipal governments are ranged from 14% to 18% (2018: 14% to 20%).

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

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

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

25. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Related party relationship	Nature of transaction	2019 RMB'000	2018 RMB'000
Fellow subsidiary	Loan interests expenses	244	–

(b) Remuneration to key management personnel

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	5,910	7,647
Post-employment benefits	329	291
	6,239	7,938

The remuneration to key management personnel include directors whose remuneration is detailed in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

(a) Credit risk (cont'd)

Trade and other receivables and contract assets (cont'd)

The Group measures loss allowances for 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.

Trade receivables

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss Allowance RMB'000
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
As at 31 December 2018			
Current (not past due)	0.47	18,216	86
Less than 3 months past due	10.34	1,083	112
Over 3 months to 1 year past due	16.81	1,041	175
Over 1 year to 2 years past due	46.35	753	349
Over 2 years past due	100.00	729	729
		21,822	1,451

The Group does not hold any collateral over trade receivables as at 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. 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 (cont'd)

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

	2019 RMB'000	2018 RMB'000
At 1 January	1,451	1,407
Provision for loss allowance	574	44
At 31 December	2,025	1,451

As at 31 December 2019, the Group has recognised an allowance for credit losses on trade receivables amounted to approximately RMB2,025,000 (2018: approximately RMB1,451,000), of which approximately RMB574,000 (2018: approximately RMB44,000) were collectively determined to be impaired under ECLs during the year.

Loan receivables

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

	2019 RMB'000	2018 RMB'000
At 1 January	8,795	1,859
Exchange adjustments	446	413
Provision for loss allowance	19,665	6,523
At 31 December	28,906	8,795

As at 31 December 2019, the Group has recognised an allowance for credit losses on loan receivables amounted to approximately RMB29,906,000 (2018: approximately RMB8,795,000), of which approximately RMB16,986,000 (2018: approximately RMB2,444,000) were individually determined to be impaired under ECLs. Included in the loss allowance on loan receivables, approximately RMB11,920,000 (2018: approximately RMB6,351,000) was determined as credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. 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)

Contract assets

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

	2019 RMB'000	2018 RMB'000
At 1 January	134	–
(Reversal) Provision for loss allowance	(115)	134
At 31 December	19	134

As at 31 December 2019, the Group has recognised an allowance for credit losses on contract assets amounted to approximately RMB19,000 (2018: approximately RMB217,000), of which approximately RMB115,000 was reversed (2018: approximately RMB134,000 was impaired) during the year.

Deposits and other receivables

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

	2019 RMB'000	2018 RMB'000
At 1 January	10,827	110
Provision for loss allowance	3,222	10,717
At 31 December	14,049	10,827

As at 31 December 2019, the Group has recognised an allowance for credit losses on deposits and other receivables amounted to approximately RMB14,049,000 (2018: approximately RMB10,827,000) of which approximately RMB3,222,000 (2018: approximately RMB10,717,000) were individually determined to be impaired under ECLs during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. 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 the 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 the 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 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
As at 31 December 2018				
Non-derivative financial liabilities				
Interest-bearing borrowings	28,390	30,023	30,023	-
Trade and other payables	11,704	11,704	11,704	-
	40,094	41,727	41,727	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. 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:

	2019		2018	
	Effective weighted average interest rates % (annual)	RMB'000	Effective weighted average interest rates % (annual)	RMB'000
Fixed rate instruments				
Loan receivables	–	–	10.00	14,413
Interest-bearing borrowings	9.60	(11,214)	6.68	(14,390)
Variable rate instruments				
Interest-bearing borrowings	4.53	(5,000)	4.81	(14,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

(c) Interest rate risk (cont'd)

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 (2018: 100) basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss before tax and accumulated losses by approximately RMB39,500 (2018: RMB113,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss before tax and accumulated losses that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's loss for the year after tax and accumulated losses is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2018.

(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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

(e) Fair value measurement (cont'd)

(i) Financial assets and liabilities measured at fair value (cont'd)

At 31 December 2019 and 2018, the Group did not have any financial assets and liabilities that were measured at fair value.

During the years ended 31 December 2019 and 2018, there were no significant transfers between in Level 1 and 2, or transfers into or out of Level 3.

(ii) 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 2019 and 2018.

(f) Financial instruments by category

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

	2019 RMB'000	2018 RMB'000
Financial assets		
– Financial assets measured at amortised cost	108,435	150,741
Financial liabilities		
– Financial liabilities measured at amortised cost	42,060	41,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. EVENTS AFTER THE REPORTING PERIOD

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

Placing of shares

On 15 January 2020, the Company entered into a placing agreement with a placing agent to place 105,301,796 placing shares at HK\$0.249 per share. The transaction was completed on 4 February 2020 and the number of the issued shares of the Company increased from 526,508,982 shares to 631,810,778 shares.

The assessment of the impact of the Coronavirus Disease 2019

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken national prevention and control of the COVID-19. The COVID-19 has certain impacts on the business operation and overall economy in some geographical areas or industries in the PRC. To a certain extent of the impact depends on the duration of the epidemic and the implementation of regulatory policies and relevant protective measures. The Group will stay alert on the development and situation of the COVID-19, continuing to assess its impacts on the financial position and operating results of the Group and take necessary action to mitigate the business risk in the PRC. Up to the date of issue of these consolidated financial statements, the assessment is still in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company-level statement of financial position

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Investments in subsidiaries		11	11
Amounts due from subsidiaries		92,036	154,571
		92,047	154,582
Current assets			
Amounts due from subsidiaries		24,740	–
Deposits and other receivables		211	215
Bank balances and cash		613	7,119
		25,564	7,334
Current liabilities			
Other payables and accrued expenses		2,051	1,591
Interest-bearing borrowings		4,470	4,390
		6,521	5,981
Net current assets		19,043	1,353
Total assets less current liabilities		111,090	155,935
Non-current liability			
Amount due to subsidiaries		148	3
NET ASSETS		110,942	155,932
Equity and reserves			
Share capital	23(a)	44,711	44,711
Reserves	28(b)	66,231	111,221
TOTAL EQUITY		110,942	155,932

This statement of financial position was approved and authorised for issue by the Board of Directors on 27 March 2020 and signed on its behalf by

Lam Kai Tai
Director

Bai Xuefei
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES (cont'd)

(b) Company-level reserves

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2018	530,446	21,039	(328,009)	223,476
Loss for the year	–	–	(122,017)	(122,017)
Other comprehensive income: <i>Items that are or may be reclassified to profit or loss:</i>				
Exchange difference on translation of financial statements	–	9,762	–	9,762
Total comprehensive income (loss) for the year	–	9,762	(122,017)	(112,255)
Balance at 31 December 2018 and 1 January 2019	530,446	30,801	(450,026)	111,221
Loss for the year	–	–	(47,151)	(47,151)
Other comprehensive income: <i>Items that are or may be reclassified to profit or loss:</i>				
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	530,446	32,962	(497,177)	66,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

Amendments to IASs 1 and 8	Definition of Material ¹
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform ¹
Amendments to IFRS 3	Definition of a Business ²
IFRS 17	Insurance Contracts ³
Amendments to IAS 1	Classification of Liabilities as Current or non-Current 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 January 2020

² Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

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.

30. COMPARATIVE FIGURE

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).