CCIDConsulting

CCID Consulting Company Limited

(A joint stock limited company incorporated in the People's Republic of China)
Stock Code: 8235

思維創造世界

- 城市經濟第一智庫
- 企業戰略第一顧問
- 資本運作第一專家

2019 ANNUAL REPORT

CCIDConsulting

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors ("Director(s)") of CCID Consulting Company Limited ("we" or "our" or "us" or the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting and on the "Investor Relations" page of the Company's website at www.ccidconsulting.com.

* *for identification purpose only*

CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	6
Directors, Supervisors and Senior Management	17
Corporate Governance Report	22
Environmental, Social and Governance Report	34
Report of the Directors	40
Report of the Supervisory Committee	57
Independent Auditor's Report	58
Consolidated Statement of Profit or Loss and Other Comprehensive Income	63
Consolidated Statement of Financial Position	64
Consolidated Statement of Changes in Equity	66
Consolidated Statement of Cash Flows	67
Notes to the Consolidated Financial Statements	69
Five-Year Financial Summary	136

Corporate Information

BOARD OF DIRECTORS

Executive Director
Zhao Zeming *(Chairman)* (resigned on 20 May 2019)
Xia Lin *(Chairman)* (appointed on 20 May 2019)

Non-Executive Director
Luo Junrui (resigned on 20 May 2019)
Sun Huifeng (appointed on 20 May 2019)

Independent Non-Executive Directors
Guo Xinping
Li Xuemei
Xia Yinan (resigned on 20 May 2019)
Chen Yung-cheng (appointed on 20 May 2019)

AUDIT COMMITTEE

Li Xuemei *(Chairlady of the Committee)*
Guo Xinping
Xia Yinan (resigned on 20 May 2019)
Chen Yung-cheng (appointed on 20 May 2019)

REMUNERATION COMMITTEE

Guo Xinping *(Chairman of the Committee)*
Li Xuemei
Zhao Zeming (resigned on 20 May 2019)
Xia Lin (appointed on 20 May 2019)

NOMINATION COMMITTEE

Zhao Zeming *(Chairman of the Committee)*
(resigned on 20 May 2019)
Xia Lin *(Chairman of the Committee)*
(appointed on 20 May 2019)
Guo Xinping
Li Xuemei
Xia Yinan (resigned on 20 May 2019)
Chen Yung-cheng (appointed on 20 May 2019)

SUPERVISORY COMMITTEE

Chen Ying *(Chairlady of the Committee)*
Xia Lin (resigned on 20 May 2019)
Gong Ping (appointed on 20 May 2019)
Ma Xin (resigned on 20 December 2019)
Lian Jing (appointed on 20 December 2019)

COMPLIANCE OFFICER

Zhao Zeming (resigned on 20 May 2019)
Xia Lin (appointed on 20 May 2019)

COMPANY SECRETARY

Chan Yin Wah

AUTHORISED REPRESENTATIVES

Zhao Zeming (resigned on 20 May 2019)
Xia Lin (appointed on 20 May 2019)
Chan Yin Wah

REGISTERED ADDRESS

Room 311, No. 2 Building, No. 28 Zhen Xing Road
Chang Ping District, Beijing, PRC

OFFICE AND CORRESPONDENCE ADDRESS

10th Floor, CCID Plaza, 66 Zizhuyuan Road
Haidian District, Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower, 248 Queen's Road East,
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.ccidconsulting.com

STOCK CODE

08235

AUDITORS

SHINEWING (HK) CPA Limited (appointed on 6 February 2020)
Qual-Mark CPA Limited (resigned on 6 February 2020)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
54/F, Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation
Bank of Beijing Co., Ltd.

Chairman's Statement

I am pleased to present the annual report of CCID Consulting Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2019.

FINANCIAL RESULTS

For the year ended 31 December 2019 (the "period or the "year"), the Group recorded a turnover of approximately RMB240,819 thousand and a gross profit of approximately RMB130,975 thousand. Profit for the year and total comprehensive income amounted to RMB64,574 thousand and RMB67,419 thousand respectively and the basic earnings per share amounted to approximately RMB8.48 cents.

BUSINESS OUTLOOK

In 2020, in order to constantly enhance its competitive strength, the Group will continue to implement the "consulting+" strategy by creating the drives for digital transformation, restructuring, system innovation and brand improvement to expedite digital transformation, advance platformization and ecologization, and focus on comprehensive industrial innovation. Furthermore, the Group will expand international markets, push forward the business transformation and update, and optimize corporate governance, so as to improve operational and management level and further enhance competitiveness.

Expedite digital transformation

The Group will concentrate on the "CCID brain for industries", and develop analytical models and evaluation algorithms by consolidating industry resources and data. Besides integrating massive data, diverse services and powerful function module, the Group will accelerate the construction of the industry data platform focused on industry data, mapping and resources, as well as the business capacity base focused on general tools, standard products and platform products. Furthermore, the Group will develop and build standardized function modules for data online, MTX, industry chain precision investments, industry project assessment, and investment and financing connection. By closely gauging the customer demand, as well as integrating internal and external data resources and channels, the Group will build a customized and personalized innovation platform powered by industry big data under the standardized function model to provide better services to the governments, parks, enterprises and investment institutions.

Promote management innovation

In reference to the progress and requirements of digital transformation, the Group will expedite the construction of the digital management platform by continuously pursuing the innovation of operation, management and service models, which will achieve the full-cycle, full-caliber accounting, visual management system for project, contract, finance, customer service and performance to further standardize service processes and standards, timely release the potential of digital transformation, and improve work efficiency and service quality. On the other hand, the Group will proceed with restructuring in due time, establish cross-field teams and business capacity profiles, and promote business process re-production. By virtue of the system innovation, the chief analyst, independent business evaluation and zoning partnership systems shall be introduced, while the remuneration assessment system in synchronization with our business development shall be explored. These initiatives will optimize our corporation governance structure, elevate operational management level, and render strong management support and organizational assurance for digital transformation.

Strengthen brand promotion

The Group will regard digitalization as the driver and focus on the organization construction of content companies, strategic cooperation networks of external media, and production and promotion of high-quality contents to advance the optimization and innovation of brand promotion. The Group continued to improve the media matrix group focused on "MTX Chanyeton" by expanding external media partnership and media network coverage, and deepening media cooperation to enhance the efficient synergic advertising of the media matrix. To enhance the advertising results of research contents, the Group will highlight the synergic effects between the product system and brand promotion model, and conduct joint research with enterprises and media within the industry and joint seminars with enterprises and experts, and publish white papers.

Despite the challenges ahead, the board of Directors (the "Board") and I have full confidence in the future development. I will continue to lead the Group to proactively overcome difficulties together with all employees in order to create the greatest value for all shareholders.

ACKNOWLEDGEMENT

I would like to thank all our shareholders, customers and partners for their support and trust and all our employees for their dedication and contribution to the Group on behalf of the Board.

Xia Lin
Chairman

Beijing, the People's Republic of China
20 March 2020

Management Discussion and Analysis

INDUSTRY OVERVIEW

Digitalization of Consulting Services

The development of new technologies such as cloud computing, big data, artificial intelligence leads to the arrival of digital wave and human society is entering into a new stage characterized with digital productivity. The core competitiveness of enterprises has shifted from "manufacturing ability" in the past traditional industrialization period to "service capacity + digital capabilities + manufacturing capabilities". Digital capacities play the leading role in technology, capital, logistics and talents, and drive the digitization of various factors, including user needs, channels, marketing, services, enterprise management, innovation, talents, and decision-making. To accommodate user and corporate digitization, our consultancy services shall accelerate digital transformation of product design, customer response, service offerings, and project management. Furthermore, we are required to build a digital management platform to develop our consulting competitiveness, as well as a digital business platform to better meet customer needs.

Platformization of Consultancy Services

As digitization will revolutionize social development models, reorganize the production relationship and economic structure, and transform the lifestyle, the consultancy services are required to effectively integrate internal and external resources and capabilities so as to form platform-aggregated products and solutions to help customers determine the overall framework and promotion strategy of digital transformation and make plans in details for major tasks, implementation paths and specific measures and thereby to promote the transformation of enterprises from extensive management to refined management, transformation from ex ante, in-progress and ex post control to real-time control, from block-closed management to open and transparent management, from multi-level management to flat management.

Ecologization of Consultancy Services

Amid the advancement of digital transformation and platformization, customers need to promote capacity iteration, resource links and valued partnership. As a result, the future competition involves not only products, markets, technologies and business models, but also covers ecological construction. Growing competitive advantages will be source from, apply to, and expand the ecology. Clear ecosystem positioning, stable ecological relationships and sound ecological integration and utilization will strengthen our competitiveness. The consultancy services model will also change from emphasis on consulting solutions to the focus on formulation and implementation of solutions, from planning to full-process services such as investments, operation management, brand marketing, investment and financing, technology development, and scenario applications. Therefore, the Group shall unite with partners in the industry chain in an open and cooperative manner to create an industrial ecology, thus providing customers with comprehensive services of industrial innovation both in breadth and depth.

BUSINESS REVIEW

Propel innovation of business models

In 2019, by closely centering on the "consulting +" strategy and focusing on the strategic positioning of "comprehensive services of industrial innovation", the Group expedited the innovation of business models. The Group held the "World Semiconductor Conference" to promote the marketing of integrated services covering from planning, product promotion, and investments to operation. "Chips of Nanjing (芯上南京)", our big data platform for decision-making analysis has been built to focus on data productization and service platformization. Following the publication of the "Guangdong-Hong Kong-Macao Greater Bay Area Innovation 100 Index" ("Greater Bay Innovation 100 Index"), the Group shifted from projects and reports to data and index services. The Group also established the industrial mapping and knowledge service platform by launching www.cciddata.com (賽迪數據在線) to build the CCID ecological partner network. This will allow us to establish the premium resource links and cultivate the super customer base. CCID Supervision actively developed the integrated, comprehensive and cross-phase engineering consultancy services, which cover engineering investment consulting, planning and design, supervision, cost budgeting, project management, etc., and achieved significant breakthroughs in our vigorously expanded business markets. CCID Supervision successively rendered related services to China Southern Power Grid, National Museum of China, Ministry of Finance Golden Finance Project Phase II, China Association for Science and Technology, and China Federation of Literary and Art Circles. Furthermore, CCID Supervision innovatively developed the product lines, including major event information system consulting and supervision, as well as network information security consulting and supervision, as a result of which, consulting and supervision projects were undertaken, including the Beijing Winter Olympics, Wuhan Military World Games, Hangzhou Asian Games and Shanxi National Youth Games. Being recognized by various customers, CCID Supervision has established a good brand image in the event planning sector.

Accelerate digital and platform transformation

In 2019, based on the CCID brain for industries, the Group accelerated the digital transformation by building an industrial data resource pool and high-value service capacity base. By fully utilizing various internal and external industrial data, as well as developing analysis models, tools and techniques, business logic, and other software, the Group further improved new channels and mechanisms for industrial data collection, gathering, processing, handling and value attribution. By the end of 2019, the Group collected a total of 30 million industry data entries, 2.5 million enterprise data entries, 1 million research reports, 1.5 million patent data entries, and 10,000 talent data entries. The Group developed various tools, including data online, data intermediary management system, automatic report generation, WebGIS-based industrial cluster display, industry chain automatic drawing, and industry standard platform. Furthermore, we completed the development and utilization of the automatic report generation system, thus developing the product system of the standardized and customized automatic generation of industry weekly and monthly reports. Meanwhile, the Group accelerated the promotion of new online products and services, including MTX, precise investments in industry chains, and investment project evaluation. By establishing cooperation with the governments of Nanjing, Shandong, Guangzhou, Huizhou, Hubei and other regions, the Group builds the customized industrial platform of big data regarding integrated circuit industry, manufacturing industry, precise investments in industry chains, and the brain for industries in counties.

Continuously innovate product systems

In 2019, by keeping abreast of the movements in the new business formats and new markets, the Group optimized reporting systems, identified focal areas, and focused on building product systems for industry markets and investment and financing segments. The Group published over 80 white papers regarding hot topics, such as digital economy, digital transformation, artificial intelligence, virtual reality, 5G, integrated circuit, the Internet of Things, intelligent manufacturing, blockchain, intelligent connected vehicle, hydrogen energy, medical healthcare, retirement and e-sports. The "2019 Insight" and "Disruptive Innovation Blue Book 2019" comprehensively analyzed the current status and trends of emerging industries in terms of market, technology, business model, industry chain, investment and financing, which in return introduced the research reports such as "Strategy 2019" and "AI's Promotion of China's Intelligent Manufacturing". The Group proceeded with the top 100 list research by launching top 100 list in various areas, including artificial intelligence, blockchain, hydrogen energy, medical cosmetics, technological innovation of listed companies, as well as top 100 cities in terms of digital competitiveness, and enthusiasm for Winter Olympics, e-sports, and fitness. Furthermore, we continued to publish the top 100 list in terms of urban economy, county economy and industrial park economy. The Group developed index products by publishing the "Guangdong-Hong Kong-Macao Greater Bay Area Innovation 100 Index" (Greater Bay Innovation 100 Index) and the "Guangdong-Hong Kong-Macao Greater Bay Area Medical Healthcare Theme Index" jointly with Shenzhen Securities Information Co., Ltd., as well as launching new index products such as the Digital Economy Development Index, the World Intelligent Connected Vehicle Industry Development Index (Shunyi Index), and the Advanced Manufacturing City Development Index.

Strengthen professional competitiveness

In 2019, the Group participated in the research on key industry chains, as well as the integration of the manufacturing and service sectors, the quality and professionalism of which were further enhanced. CCID Supervision effectively maintained the management systems for quality environmental and occupational health and safety, information technology services and information security, as well as the high-tech enterprise qualification. Furthermore, CCID Supervision registered 13 software copyrights. On the other hand, the Group became the deputy president of the Information System Engineering Supervision Sub-committee of China Electronics Enterprises Association, and is the committee member of the Safety and Reliability Working Committee of China Electronics Standardization Association, as well as the Information Technology Services (ITSS) Sub-committee of China Electronics Enterprises Association. We are also the full-fledged member, research and development member, and implementing member of the National Work Group of Information Technology Services (ITSS). In 2019, the Group was recognized as an outstanding enterprise in the national electronics information industry.

Promote Innovated Management

In 2019, the Group optimized its management process and created a visual online OA platform to ensure that contract management was standardized, performance appraisal was strictly conducted, and budget execution was complied with. As a result, our innovative services were upgraded. We assisted the business divisions in positioning themselves to maintain their business fields, improve their expertise, and establish their industrial influence. We formulated the market expansion strategies in key regions, pursuant to which, all sales activities followed the "zoning policies". With incentives strengthened, our eight business divisions tried the performance appraisal separately, and were encouraged to expedite their development pace and strengthen the innovation efforts. For our organizational adjustment, Beijing CCID Strategy Management Consulting Co., Ltd. was renamed as Beijing CCIDBrain Technology Ltd. (北京賽迪產業大腦科技有限公司), while our branches in Shanghai, Shenzhen, and Tianjin were restructured, as a result of which, our team strength was augmented. Localized services pave a solid foundation for us to innovate service models. CCID Supervision continued to carry out special inspection over the quality of project implementation and site security administration by formulating the "Administrative Rules for Self-Inspection and Appraisal of Project Implementation", which aims to uncover and resolve noticeable issues arising from the project implementation. We conducted three questionnaires on project implementation quality, prepared three quarter assessment reports, and established and improved the long-term inspection mechanism for supervising project quality. As a result, the risk exposure to project implementation quality and information security administration was effectively minimized, while delivery quality and customer satisfaction were constantly improved.

Promote the Development of Harmony Culture

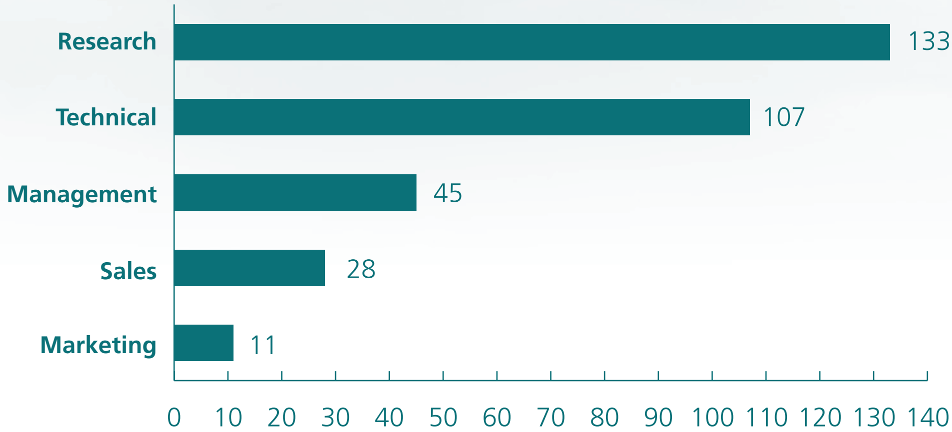
In 2019, the Group closely worked with the Party, the League, and the Labor Union to innovatively organize various themed activities, and built a harmonious ambiance that promotes positive and healthy thinking as well as relaxing, amicable, and united collaboration. The Group won the third prize for teamwork during our participation in the art performance featuring the theme "I Love You, China" to celebrate the 70th Anniversary of the People's Republic of China. We staged a "War of Words" debate for super consultants to enhance the young employees' sense of identification with our corporate culture. We also held the first "Thanks for You" retirement party to demonstrate our commitments to employee care, which also facilitate our corporate culture development. In addition, we prepared the annual album of "Hard-working Young Minds are the Most Beautiful: My Consultants, My 2018", the collection of the CCID Elite Training Course (3rd issue), and "CCID Dreamer: Insights of 2019 New Employees", which further strengthened the Company's cohesion and gravitation. Throughout th year, we organized interest group activities, such as badminton, basketball, and football. Our employees actively participated in the badminton competitions and the "CCID Cup" tug of war held by the Research Institute, and our staff representative departments participated in various activities, including the sports meeting for the staff in the central government departments, and broadcast gymnastics competition held by the central government departments, and the themed jogging campaign with the theme of "Marching into the New Era with Gifts for the 70th Anniversary of the Motherland". We organized Party members to visit the place where the song of "There Would be no New China without the Communist Party" was composed, carried out themed activities, including "Reminisce about the Original Party Mission While Traveling across the Land of Red Songs". To celebrate the anniversary of the Communist Party of China, we also sponsored the themed event "Seeking Enlightenment of May Fourth Movement in the Red Building of Peking University" under a series of themed activities titled "Not Forgetting the Initial Heart and Remembering the Mission", and the Party members watched the film of "My People, My Country", which is specifically produced to celebrate the 70th Anniversary of the People's Republic of China, cultivate employees' patriotism, and enhance their ideological confidence. The Group won the Advanced Grassroot Party Branch and the Advanced Grassroot Publicity Unit of the Research Institute by the Ministry of Industry and Information Technology of the PRC. The Party Branch's work approach "Training and Inspiration" has been selected by the Government Agency Work Commission at both the central and national level as the outstanding cases. These activities enriched the employees' spare time, enhanced the emotional interaction and communication between employees, and thus increasing the vitality of the Company's overall mental outlook. As for social responsibility, the Group and Hunyuan Government of Hebei Province jointly organized the "Signing Ceremony and Training Exchange on Poverty Alleviation Projects" to enter into contracts with respect to promoting the projects of Consumption Poverty Alleviation, Party Branch Construction and Joint Assistance Work. The Group, JD Group and Hunyuan Government of Hebei Province entered into the Agreement on the Collaborative Construction of Online Platform on JD.com for the Poverty Alleviation in Hunyuan (合力共建京東商城線上渾源扶貧協議). The Group also took part in various activities, such as donations, poverty alleviation and student aid.

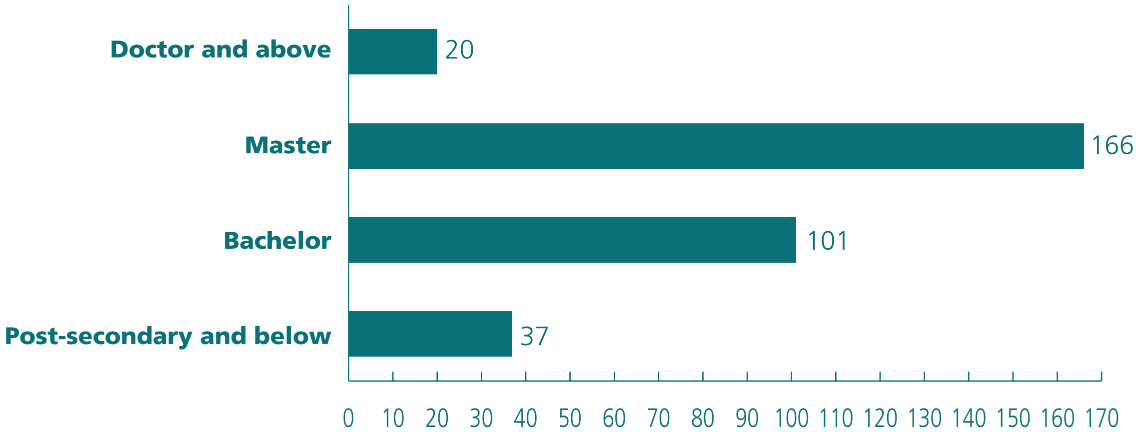
Marketing and Promotion

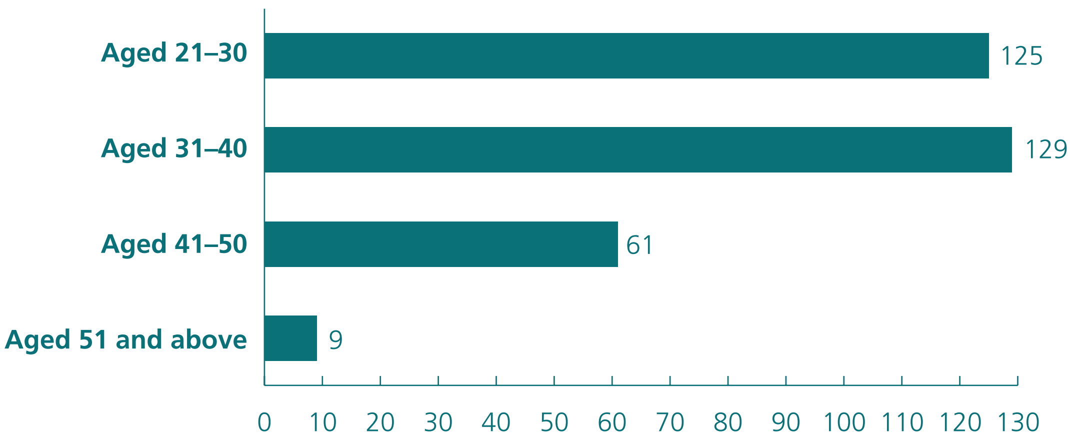
In 2019, the Group promoted the transformation and innovation in substance and form and achieved new breakthroughs in respect of influence and economic benefits through major brand programmes such as "World Semiconductor Conference", "World VR Industry Conference — Investment Sub-forum", "The 21st China International Industry Fair — 2019 Intelligent Manufacturing Conference" and "China IT Market Annual Conference".

Employee and Remuneration Policy

The Group had a total of 324 staffs as of 31 December 2019 (2018: 311), the composition of which was as follows:







The Group adopted a performance-oriented performance appraisal method to determine employee's remuneration with reference to their performance, qualifications and experience. The Group provided employees with benefits such as housing provident fund, basic endowment insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance in accordance with applicable PRC laws and regulations, as well as additional commercial insurance such as supplementary medical and accidental injuries insurance.

The Group fully understands that employees are the key to the sustainable development of our business. The Group provides employees with training and occupational planning, sound promotion opportunities and perfect remuneration system to ensure that employees are entitled to legal rights and perform relevant obligations. The Group works together with our employees to provide quality products and services for our customers.

Analysis on Financial Key Performance Indicators

Benefiting from the smooth operation of China's economic environment in 2019, the advantages of remaining in the forefront in economic growth rate and the National Development Plan, the financial indicators of the Group, such as operating results, financial position and cash flow, maintained a positive growth trend in 2019.

Turnover

For the year ended 31 December 2019, the Group recorded a turnover of approximately RMB240,819 thousand (as at 31 December 2018: approximately RMB167,367 thousand), representing an increase of approximately 44% as compared to the corresponding period of last year.

Analysis of the Group's turnover in the year is as follows:

	2019		2018	
	RMB('000)	**%**	RMB('000)	%
Management and Strategy Consultancy Services	**115,829**	**48%**	78,856	47%
Market Consultancy Services	**21,336**	**9%**	10,383	6%
Information Engineering Supervision Services	**89,442**	**37%**	76,100	46%
Other Services	**14,212**	**6%**	2,028	1%
Total	**240,819**	**100%**	167,367	100%

The Group will continue to implement the "Consulting+" strategy, and center on the comprehensive industrial innovation services, particularly emphasizing the key industry parks, industrial players, and investment institutions. With CCID brain for industries at core, we will build the business innovation platform driven by big data, push forward with the comprehensive upgrade of product lines, and enhance our brand influence.

Costs and expenses

For the year ended 31 December 2019, the Group's costs and expenses amounted to a total of RMB172,202 thousand (for the year ended 31 December 2018: RMB132,013 thousand), representing an increase of approximately 30% as compared to the corresponding period of last year. Such increase appeared to be healthy as compared to the growth of the Group's turnover, among which, changes to the administrative expenses were mainly due to an increase in the salary for the management and research personnel, and sharing of administrative expenses. In the meantime, the Group continued to strengthen our internal control in an all-around manner, bringing down the costs and expenses within a reasonable range.

Income tax

In accordance with the "Enterprise Income Tax Law of the People's Republic of China" and its implementation regulations, and the requirements under "Some Opinions by the State Council on Expediting the Development of Technology-based Service Businesses" (Guo Fa [2014] No. 49), the "Circular by the State Administration of Taxation on the Management of Reduction and Exemption of Enterprise Income Taxes" (Guo Shui Fa [2008] No.111), the "Supplemental Circular by the State Administration of Taxation on the Management of Preferential Enterprise Income Taxes" (Guo Shui Han [2009] No. 255), the "Circular by State Administration of Taxation on Circulation of the 'Provisional Management Measures for Tax Reduction and Exemption'" (Guo Shui Fa [2005] No. 129) and the "Circular by the State Administration of Taxation on the Implementation of Preferential Enterprise Income Taxes on High-Tech Enterprises" (Guo Shui Han [2009] No. 203), the Company was officially subject to enterprise income tax of 15% with effect from 2016 and entitled to a tax reduction and exemption of approximately RMB7,543 thousand for the year ended 31 December 2019.

Profit for the year and total comprehensive income

For the ended 31 December 2019, the Group reported profit for the year and total comprehensive income of approximately RMB64,574 thousand and RMB67,419 thousand respectively (for the year ended 31 December 2018: at approximately RMB33,604 thousand and RMB34,302 thousand respectively), representing an increase of approximately 92% and 97% respectively as compared to the corresponding period of last year. I. Advance our business upgrade. We will develop the all-process industrial consulting service system, including planning, investment attraction, operation management, brand marketing, financing and investments, technology development, and scenario applications, and push forward with integrated engineering consultation services, including engineering investment consultation, planning and design, supervision, cost budgeting, project management. All of these initiatives will help increase the added values of our business operation and sustain our business revenue. II. Expedite digital transformation. We will build CCID brain for industries by developing the customized and personalized business innovation platform driven by industrial big data. Furthermore, we will construct the CCID ecosystem network, and facilitate the cultivation of senior resource links and super customers so that the digitized platform will record fast business growth. III. Continue with management innovation. We will improve our digitization management platform, enhance the functional department management level, and scale up our efforts to study and introduce incentive mechanisms for departments. By introducing the "zoning policies" of the sales department, we will strengthen the overall synergistic effects between department functions, research, and sales so that revenue increases faster than costs. Meanwhile, the Company increased its other business revenue by optimizing its idle capital. Details of other business income are set out in note 9 to the consolidated financial statement of this annual report.

Liquidity and Financial Resources

As of 31 December 2019, the Group held cash and cash equivalents of RMB214,840 thousand, of which approximately RMB214,840 thousand and US$Nil (as at 31 December 2018: cash and cash equivalents of RM160,693 thousand, including RMB160,693 thousand and US$2), respectively, representing an increase of approximately 34% as compared to the corresponding period of last year. The quality monitor process for questionable projects, which was enhanced, plays an active role in promoting the Group's alert management for collecting payments. The Group's primary financial resources were cash flows generated from the operating activities. The management believes that, the Group possesses adequate working capital for the present requirements.

Capital Structure

The capital structure of the Group on 31 December 2019 is summarized as below:

	RMB('000)	Percentage
Total Shareholders' equity attributable to equity holders of the Company	203,964	87%
Non-controlling interests	30,962	13%
Total	234,926	100%

Operating Segment information

The operating segment information has been presented in note 8 to the consolidated financial statements.

Capital Commitment and Contingent Liabilities

On 31 December 2019, the Group had no capital commitment (31 December 2018: Nil) whereas the Company's capital commitment amounted to RMB5,800 thousand (31 December 2018: RMB5,800 thousand).

On 31 December 2019, the Group had no contingent liabilities (31 December 2018: Nil).

Pledged Assets

As of 31 December 2019, the Group had pledged bank deposits amounted to RMB2,057 thousand (as at 31 December 2018: Nil).

Gearing Ratio

On 31 December 2019, the Group's gearing ratio was approximately 50% (31 December 2018: 56%). Gearing ratio is calculated by total liabilities less amounts due to related parties and plus proposed final dividend then divided by total equity minus proposed final dividend.

Major Investment

For the year ended 31 December 2019 and on the date of the report, the Group had subscribed the wealth management products as set out in the table below:

Date of Subscription	Signing Party with the Group	Name of Wealth Management Product	Currency of Principal and Return	Subscription Amount	Term of Product	Expected Annualized Yield Rate
16 January 2020	China Construction Bank	"Qianyuan-Rixinyueyi" (daily) Open-ended Asset Portfolio RMB Wealth Management Product("乾元 — 日鑫月溢"(按日)開放式資產組合型人民幣理財產品)	RMB	45,000,000	347 days (will expire on 27 December 2020)	3.30%
14 November 2019	China Minsheng Bank	Interest Rate Linked Structured Product	RMB	35,000,000	182 days (will expire on 15 June 2020)	Where USD3M-LIBOR falls within the range of 0.40% to 3.20% in 182 out of the next 182 days, client will be entitled to an annual return that is equal to 3.7%. Where USD3M-LIBOR falls within the range of 0.40% to 3.20% in 91 days out of the next 182 days, client will be entitled to an annual return that is equal to 2.6%. Where USD3M-LIBOR falls out of the range of 0.40% to 3.20% any day in the next 182 days, client will be entitled to an annual return that is equal to 1.5%.
29 April 2019	China Minsheng Bank	Interest Rate Linked Structured Product	RMB	35,000,000	183 days (expired on 30 October 2019)	3.75%
10 January 2019	China Construction Bank	"Qianyuan"the year of 2019 No. 001 Standard Asset Portfolio (For Public) Wealth Management Product	RMB	29,000,000	339 days (expired on 15 December 2019)	4.20%

For the year ended 31 December 2019, the Company recorded a gain of approximately RMB1,131 thousand and RMB641 thousand in the investment of the product subscribed on 10 January 2019 and 29 April 2019 respectively. With regards to the future prospects of the investment of those subscribed on 14 November 2019 and 16 January 2020, the board of directors believes that compared to other non-banking wealth products, this wealth product has greater stability and stronger liquidity with a lower risk exposure, which provides the Group with a better return using these idle funds and is in the interests of the Group and shareholders as a whole.

Save as disclosed above, as at 31 December 2019, there were no other major investment.

Major Acquisition and Disposal

As of 31 December 2019, the Group had no major acquisition and disposal.

Future Major Investment

As at the date of the report, the Group had no major investment plan.

Foreign Exchange Risk

The Group maintains a conservative policy towards the foreign exchange risk and interest rate management with all of the deposits denominated in Renminbi.

Significant Event After the Reporting Period

As of the latest practicable date of this report, the Group had no significant events after the reporting period which need to be disclosed.

EXECUTIVE DIRECTOR

Xia Lin (夏琳), aged 51, is an executive Director and chairman of the Board. Since February 2019, Ms. Xia has been a vice general manager of CCID Academy for Industry and Information Technology Limited* (賽迪工業和信息化研究院(集團)有限公司). She is a U.S. Certified Management Accountant. Ms. Xia graduated from Wuhan University with a bachelor's degree and the Central University of Nationalities with a Master's degree. Previously, Ms. Xia worked for China Metallurgical Import and Export Corporation, Shougang Branch* (中國冶金進出口公司首鋼分公司), Iveco Margirus Beijing Representative Office* (德國馬基路斯公司北京代表處), CTA Makro Commercial Co., Ltd.* (中貿聯萬客隆商業有限公司) and B&Q China. From April 2005 to October 2013, she served as the deputy general manager of several departments at Huida Asset Management Ltd. Co., including Finance Department, Asset Disposal Department I and Asset Disposal Department III. During the same tenure, she was also a deputy chief accountant of Nanning Phoenix Paper Industry Limited* (南寧鳳凰紙業有限公司). From 30 August 2006 to 12 November 2009, she served as a director of Nan Hua Bio-medicine Co., Ltd.* (南華生物醫藥股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 000504). From October 2013 to August 2016, Ms. Xia served as a vice president of Beijing Pan-Asian Flying Banner Technology Limited* (北京泛亞飛旗科技投資有限公司). From November 2016 to January 2018, Ms. Xia has been the general manager at Finance Center of CCID Academy for Industry and Information Technology Limited* (賽迪工業和信息化研究院(集團)有限公司財務中心). From February 2018 to January 2019, Ms. Xia served as a vice general manager and general manager at Finance Centre of CCID Academy for Industry and Information Technology Limited. Ms. Xia has over 20 years of experience in financial management, capital operation and corporate management. Ms. Xia was appointed and retired as a supervisor of the Company on 25 November 2017 and 20 May 2019 respectively, and has been appointed as an executive Director of the Company with effect from 20 May 2019.

NON-EXECUTIVE DIRECTOR

Sun Huifeng (孫會峰), aged 41, is a non-executive director and the general manager. Mr. Sun graduated from the Huazhong University of Science & Technology with a master degree. Mr. Sun joined CCID Group in July 2008. Mr. Sun has served as the general manager, chief business officer and deputy general manager of the Computer Industry Research Center (計算機產業研究中心), from January 2015 to February 2016, Mr. Sun served as a general manager of Beijing CCID Strategy Management Consulting Co., Ltd., and the head of the training center of the China Center of Information Industry Development (CCID). Mr. Sun has over 12 years of experience in information technology, business strategies, business innovation as well as investment and financing consultation. Mr. Sun has served as the general manager of the Company since March 2016 and has been appointed as a non-executive director of the Company with effect from 20 May 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Guo Xinping (郭新平), aged 56, an independent non-executive director, is the Vice-Chairman of the Board of Yonyou Network Technology Co., Ltd. (formerly "Yonyou Software Co., Ltd.") (shares of which are listed on the Shanghai Stock Exchange, 600588.SH), the Chairman of the Supervisory Committee of Chanjet Information Technology Company Limited (shares of which are listed on the Stock Exchange, HK1588) and an independent director of Glodon Software Company Limited (shares of which are listed on the Shenzhen Stock Exchange, 002410.SZ), (appointed on 25 April 2017). Mr. Guo graduated from Zhongnan University of Finance and Economics with a bachelor degree and from Hong Kong University of Science and Technology with a master degree. Mr. Guo has worked in the Fiscal and Taxation Reform Department of Ministry of Finance. He had been the General Manager, and Vice-Chairman and Chief Finance Officer of Yonyou Software Co. Ltd., and an independent director of Tus-Sound Environmental Resources Company Limited (formerly known as Sound Environmental Resources Company Limited) (shares of which are listed on the Shenzhen Stock Exchange, 000826.SZ), (resigned on 25 September 2015, with effect from 20 October 2015), with over 20 years of experience in the field of enterprise operation and finance. Mr. Guo was appointed as an independent non-executive director of the Company with effect from 25 May 2002, and was re-elected on 25 November 2017.

Li Xuemei (李雪梅), aged 52, an independent non-executive director, is the Deputy Executive President of Transport and Statistics Research Institute of Beijing Jiaotong University, a member of Chinese Input-Output Association, and a chancellor of the International Business Negotiation Professional Committee of the Chinese Research Council of Modern Management. Ms. Li graduated from Beijing Jiaotong University with a doctorate degree in management. Ms. Li had worked in Harbin Pharmaceutical Group Second Chinese Medicines Factory, Tianjin University and Beijing Jiaotong University and in-charged of various topics and project studies of Ministry of Science and Technology, Ministry of Railways, Beijing Municipal Science and Technology Commission, Beijing Municipal Education Commission and National Natural Science Foundation of China, etc. Ms. Li was appointed as an independent non-executive director of the Company with effect from 25 November 2011, and was re-elected on 25 November 2017.

Chen Yung-cheng (陳永正), aged 62, has been the vice president of Suirui Technology Limited* (隨銳科技股份有限公司) (a company listed on the National Equities Exchange and Quotations (the "New Third Board") in the PRC, stock code: 835990) since February 2019, an independent non-executive director of BeiGene, Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 06160) since February 2016, and a non-executive director of Asia Pacific Telecom Co., Ltd. (a company listed on the Taiwan Stock Exchange, stock code: 3682) since August 2016. Mr. Chen holds an EMBA degree from the University of Chicago, a dual master's degree from Ohio State University, and a bachelor degree from National Chiao Tung University. Previously, Mr. Chen held various senior positions at various corporations, including the President of Motorola Solutions (China) Co., Ltd. (摩托羅拉系統(中國)有限公司), Alibaba Health Information Technology Limited (formerly known as 21CN CyberNet Corporation Limited, a company listed on the Hong Kong Stock Exchange, stock code: 0241), Greater China Region of Microsoft, and National Basketball Association China and chairman of CSL Holding Limited. In addition, Mr. Chen was a partner of GL Capital Group. He served as the president of Telstra International Group from November 2012 to December 2015, chairman of Autohome Inc. (NYSE: ATHM) from 2012 to May 2016, the general manager of Asia Pacific Telecom Co., Ltd. from August 2016 to January 2017, and chairman of Foxconn Industrial Internet Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601138) from January 2018 to October 2018. Mr. Chen has accumulated more than three decades of experiences in telecommunications, media and technology ("TMT") and corporate management in multinational corporations. Mr. Chen was appointed as an independent non-executive director of the Company on 20 May 2019.

SUPERVISORS

Chen Ying (陳瑛), aged 68, is the chairman of the Supervisory Committee. Ms. Chen graduated from the Party School of the Central Committee of C.P.C. and the Chinese Academy of Social Sciences. She successively held an executive officer of the Planning Committee of Liaoyang City, Liaoning Province, the division chief and deputy party secretary of China National Software & Service Co., Ltd, the deputy director and deputy party secretary of the Calculator and Microelectronics Research and Development Center of the Ministry of Information Industry (信息產業部計算器與微電子發展研究中心) (currently known as Research Centre of Ministry of Industry and Information Technology Computer and Microelectronics Development), a director and a supervisor of Beijing CCID Media Investments Co. Ltd. Ms. Chen was appointed as a supervisor of the Company with effect from 25 November 2014 and was re-elected and appointed with effect from 25 November 2017.

Gong Ping (龔平), aged 42, is the general manager of the Finance Center under CCID Academy for Industry and Information Technology Limited* (賽迪工業和信息化研究院(集團)有限公司) since February 2019. Joining CCID Group in 2009, Mr. Gong served as the manager of the Finance Department under Beijing CCID Media Investments Co. Ltd., from January 2015 to October 2016, he served as a deputy head of the Finance Department under China Centre of Information Industry Development. Mr. Gong previously was the standing deputy general manager of the Finance Center under CCID Academy for Industry and Information Technology Limited* (賽迪工業和信息化研究院(集團)有限公司) from November 2016 to January 2019. Mr. Gong holds various qualifications, including senior accountant and certified public accountant. Mr. Gong holds a MBA degree from Beijing Institute of Technology. Mr. Gong served as the supervisor of the Company from June 2017 to November 2017, and he has been appointed as the supervisor of the Company from 20 May 2019.

Lian Jing (廉晶), aged 48, employee representative supervisor, is a director of the general office and a supervisor of CCID (Shanghai) Advanced Manufacturing Research Center Co., Ltd., a subsidiary of the Company. Ms. Lian graduated from California State University East Bay with a master's degree in business administration economics and foreign trade. She has been the director of the general office since she joined the Company in 2016. She has more than 20 years of work experience. Ms. Lian was elected as the employee representative supervisor at the employee representative meeting on 20 December 2019.

SENIOR MANAGEMENT

Sun Huifeng (孫會峰), aged 41, is a non-executive director and the general manager. Mr. Sun graduated from Huazhong University of Science and Technology with a master's degree. Mr. Sun joined CCID Group in July 2008, and served as the general manager, chief business officer and deputy general manager of the Computer Industry Research Center (計算機產業研究中心). From January 2015 to February 2016, he acted as the general manager of Beijing CCID Strategy Management Consulting Co., Ltd. and the head of training center of China Centre of Information Industry Development. Mr. Sun has over 12 years of experience in the fields such as information technology, corporate strategy, business innovation and investment and financing consulting. Mr. Sun has been the general manager of the Company since March 2016 and has been appointed as a non-executive director of the Company since 20 May 2019.

Wen Fang (文芳), aged 40, is a deputy general manager. Ms. Wen graduated from the Beijing Jiaotong University with a master degree. Ms. Wen joined the Company in July 2004, and has served as the deputy general manager, the general manager and the chief business executive of the Computer Industry Research Center (計算機產業研究中心), the general manager of Beijing CCID City Strategy Consulting Co., Ltd., and the president of the Research Institute of Industrial Economics (工業經濟研究所) and a deputy director of the Technological Development Department (科技發展處) of China Center for Information Industry Development (CCID), with 15 years of experience in the research of electronic information, software, industry planning and urban economy.

Song Yu (宋宇), aged 47, is a deputy general manager. Ms. Song graduated from Peking University with a bachelor degree. Ms. Song joined the Company in August 2002, and has served as a deputy general manager of Semi-conductor Industry Research Center (半導體產業研究中心), business group research director, with over 16 years of experience in the industrial research of electronic information, semiconductors and internet of things.

Li Ke (李珂), aged 43, is a deputy general manager. Mr. Li graduated from Beijing Institute of Technology with a bachelor degree. Mr. Li joined the Company in April 2003. He has served as a general manager of the Semi-conductor Industry Research Center, and the director of semiconductors and consumer electronics business group, with over 16 years of experience in industrial research of semiconductors, optoelectronics and Internet of things.

Fu Changwen (付長文), aged 39, is a deputy general manager and the Secretary of the Board. He is the general manager of Beijing CCID County Strategy Consulting Co., Ltd. Mr. Fu graduated from the Renmin University of China with a master degree in economics. Mr. Fu joined the Company in July 2004. He has served in the investment consulting business department, strategy consulting business department and investment management department, with over 15 years of experience in industrial study, strategy consulting and corporate governance.

Lu Ping (呂萍), aged 41, is a deputy general manager. Ms. Lu graduated from Peking University with a master degree in law. She is a senior economist and is a Ph.D. candidate at the School of Economics and Management of Beijing University of Aeronautics and Astronautics. Ms. Lu joined the Company in June 2004, and has served as the deputy general manager of the Development Zone Research Center (開發區研究中心), the deputy general manager of the Electronic Information Industry Center (電子信息產業中心), and the deputy president of the World Industrial Research Institute (世界工業研究所) (as an alternate to the president) and a deputy director of the Technological Development Department (科技發展處) of China Center for Information Industry Development (CCID). Ms. Lu has more than 15 years of experience in market research, industry planning and government consultancy.

Dong Kai (董凱), aged 34, is a deputy general manager. Mr. Dong graduated from the University of British Columbia (UBC) with a master degree. Mr. Dong joined the Company in August 2018. He served as deputy director and secretary of the Youth League Committee of the Soft Science Division of China Centre of Information Industry Development (CCID). He has 9 years of experience in intelligent manufacturing, intelligent equipment and industrial internet.

Xing Ting (邢婷), aged 33, is the current general manager of Beijing CCIDBrain Technology Ltd.* (北京賽迪產業大腦科技有限公司). Ms. Xing graduated from Beijing Jiaotong University with a master's degree. Ms. Xing joined the Company in July 2010. She severed as general manager and assistant president of CCID. She has over 9 years of work experience in electronic information industry and artificial intelligence.

Zhao Weidong (趙衛東), aged 49, deputy general manager, is also the general manager of Beijing CCID Capital Consulting Co., Ltd. Mr. Zhao is a holder of doctorate in management science from Renmin University of China. In February 2019, Mr. Zhao joined the Company. Prior to that, he was associate professor at the Administration and Management Institute, Ministry of Agriculture and Rural Affairs (also known as Agricultural Management Institute of Ministry of Agriculture). He also served as an acting deputy director at the SME Research Institute of China Center of Information Industry Development Research Institute. Mr. Zhao has more than twenty years of experiences in startup innovation, strategic management, internationalization development, corporate and public service systems, industry planning, and investment and financing.

Hu Yun (胡雲), aged 46, is the financial controller. She graduated from the School of Business of the Hubei University. She held a bachelor degree of economics and is a senior accountant, and taught in Hubei University School of Business. She worked at various accounting firms during 2001 to 2007, and was responsible for annual audit, internal control consultation and financial training affairs for large state-owned enterprises. Ms. Hu joined the CCID Group in October 2007 and respectively served at the Company and Beijing CCID Media Investment Co., Ltd. Since January 2011, she has served as financial controller of China Software Testing Center and has accumulated 20 years of experience in audit, internal control consultation and financial management. Ms. Hu was a supervisor of the Company from 25 November 2014 to 13 June 2017 and was appointed as the financial controller of the Company since 13 June 2017.

Guan Dongsheng (管東升), aged 44, is the general manager of Beijing CCID Industry and Information Engineering Supervision Center Co. Ltd., the Vice President of Supervisor of Information System Association and a managerial expert of IPMP. Mr. Guan graduated from Dalian University of Technology with a master degree in software engineering. Mr. Guan joined the Company in January 2006, and served as the general manager of supervision business division, assistant to the Director, deputy general manager and executive general manager of Beijing CCID Industry and Information Engineering Supervision Co., Ltd., with more than 10 years of project management experience in government affairs informatization, science and research informatization, city informatization, telecommunications engineering and information security engineering.

COMPANY SECRETARY

Chan Yin Wah (陳燕華), aged 44, is the Company Secretary and an authorized representative. She joined the Company in March 2012. Ms. Chan is the Associate Director of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). Ms. Chan has worked for various internationally well-known professional firms and listed companies in Hong Kong and has over 15 years of professional experience in handling the company secretarial, compliance services and share registry services for listed companies in Hong Kong. Ms. Chan holds a bachelor's degree in economics and a master's degree in professional accounting. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

During the reporting period, the Group has adopted and complied with the requirements of the code provisions (the "Code Provision(s)") of the Corporate Governance Code and the Corporate Governance Report (the "CG Code") in Appendix 15 to the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Group has adopted the "Required Standard of Dealings" in Rules 5.48 to 5.67 of the GEM Listing Rules in relation to the standard of conducts for securities transactions by the Directors and the supervisors ("Supervisor(s)") of the Company, and regulated the securities transactions by the Directors and Supervisors pursuant to the requirements of which. The Company confirmed that for the year ended 31 December 2019, all Directors and Supervisors have complied with the "Required Standard of Dealings" throughout the year upon specific enquiries with all the Directors and Supervisors. The Company was not aware of any non-compliances during the period.

BOARD OF DIRECTORS

The Board met the minimum appointment requirements of three independent non-executive directors under the GEM Listing Rules during the year, the number of which accounted for one third of the total members of the Board. In the meantime, one of the independent non-executive directors possesses appropriate professional qualifications or accounting or relevant financial management expertise. In accordance with the requirements under Rule 5.09 of the GEM Listing Rules, the Company has obtained confirmation of independence in writing from each independent non-executive director, and therefore the Company considers that all independent non-executive directors are independent from the Company. To the knowledge of the Company, there is no relationship between the members of the Board, including financial, professional, family, or other significant/relevant relationship.

For the year ended 31 December 2019 and as at the date of this annual report, the composition of the Board is set out as follows:

Executive Director
Xia Lin *(Chairman, appointed on 20 May 2019)*
Zhao Zeming *(resigned on 20 May 2019)*

Non-Executive Director
Sun Huifeng *(General Manager, appointed on 20 May 2019)*
Luo Junrui *(resigned on 20 May 2019)*

Independent Non-Executive Directors
Guo Xinping
Li Xuemei
Chen Yung-cheng *(appointed on 20 May 2019)*
Xia Yinan *(resigned on 20 May 2019)*

Biographical details of our directors are set forth on Page 17 to Page 18 of this annual report.

RESPONSIBILITIES OF AND AUTHORITIES OF THE BOARD

The Board is responsible for the overall management of the Company's business and is jointly responsible for the direction and supervision of the Group's affairs. All directors and supervisors of the Company comply with the applicable laws and regulations, conscientiously perform their duties and safeguard the interests of the Company and the shareholders.

Duties of the Board include but are not limited to:

(i) determining the Company's business plan and investment program;

(ii) formulating the Company's annual financial budget plan and final accounts;

(iii) developing the Company's profit distribution plan and loss recovery plan;

(iv) developing an injection increase or decrease program of the Company and the corporate bonds issuance program;

(v) appointing or dismissing the general manager of the Company, and appointing or dismissing the deputy general manager and other senior management personnel (including the person in charge of finance) of the Company in accordance with the nomination of the general manager, as well as determining their remuneration; and

(vi) fulfilling other duties conferred by the general meeting and the articles of association of the Company.

The Board has established three Board committees, namely the Audit Committee (the "Audit Committee"), the Nomination Committee (the "Nomination Committee") and the Remuneration Committee (the "Remuneration Committee") and delegated these Board Committees responsibilities within the respective terms of reference. The power and duties of carrying out daily operations and business management of the Board will be vested in the executive directors and senior management of the Group.

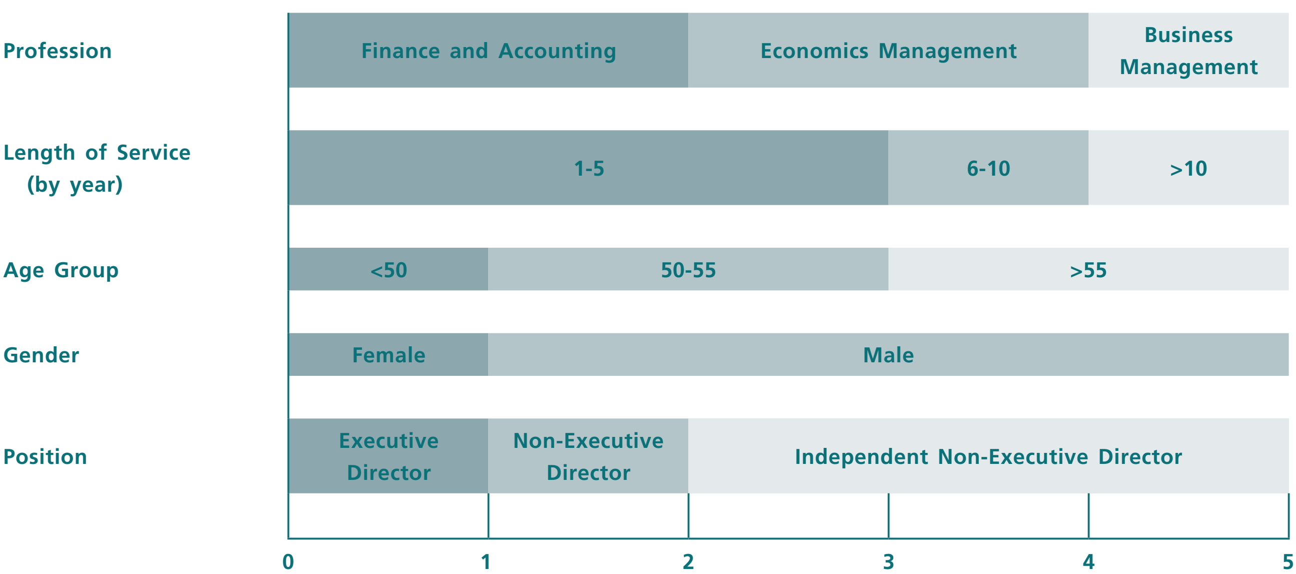
The Company has arranged appropriate insurance covering directors' and officers' liabilities in respect of legal actions against its directors and officers arising from the Group's business. The Company reviews the extent of insurance coverage on an annual basis.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse board to the quality of its performance. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the board. The Nomination Committee will be always supervising the implementation of the board diversity policy to safeguards its effectiveness.

The board diversity policy aims to contain policies to achieve the diversity of board members. In designing the constitution of a board, the Company has taken into consideration various measurable factors for board diversity, including but not limited to sex, age, length of service, knowledge, and professional and industrial backgrounds. As of the date of this annual report, the board is comprised of five directors, among which, three are independent non-executive directors who are responsible for enhancing the administrative procedures through stringent review and monitoring. The board enjoys a high level of diversity, regardless of sex, age, culture and education backgrounds, professional experiences, skills, knowledge, and length of services.

As of the reporting date, the Board's composition under diversified perspectives was summarized as follows:



Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this report. The Company considered that the current structure of the Board can ensure the balance between power and authority.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1 of the CG Code:

— to develop and review the Company's policies and practices of corporate governance and make recommendations to the Board;

— to review and monitor the training and continuous professional development of Directors and senior management;

— to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

— to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

— to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

For the year ended 31 December 2019, the above corporate governance functions were performed by the Board.

Chairman and General Manager

Ms. Xia Lin, an executive Director, acts as the chairman of the Company, and Mr. Sun Huifeng acts as the general manager. The two different positions of the chairman and general manager are clearly separated, the chairman is responsible for the operation of the Board, and the general manager is responsible for the management of the Company's daily business operation. The Articles of Association of the Company have explained the respective roles and responsibilities of the chairman and general manager in details.

Appointment and Re-election of Directors

Ms. Xia Lin was appointed by the Board as an executive director and the chairman of the Board with effect from 20 May 2019. She has signed a service agreement with the Company for a term from 20 May 2019 to 25 November 2020.

Mr. Sun Huifeng has been appointed as the non-executive Director of the Company with effect from 20 May 2019. He has signed a service agreement with the Company for a term from 20 May 2019 to 25 November 2020.

Mr. Guo Xinping and Ms. Li Xuemei, the independent non-executive Directors of the Company, have been re-elected with effect from 25 November 2017, and they have signed a service agreement with the Company for a term of three years from 25 November 2017 to 25 November 2020. Mr. Chen Yung-cheng has been appointed as the independent non-executive Director of the Company with effect from 20 May 2019, and has signed a service agreement with the Company for a term from 20 May 2019 to 25 November 2020.

Board Training and Continuous Professional Development

All Directors confirmed that they have complied with the Code Provision A.6.5 relating to directors' training. During the year, all Directors had participated in continuous professional development by attending the following seminars and/or reading materials to develop and update their knowledge and skills and they had provided their training records to the Company:

Director	Corporate Governance, Rules and Regulations	Financial Management and Other Affairs
Ms. Xia Lin	√	√
Mr. Sun Huifeng	√	√
Mr. Guo Xinping	√	√
Ms. Li Xuemei	√	√
Mr. Chen Yung-cheng	√	√
Zhao Zeming (resigned on 20 May 2019)	√	√
Luo Junrui (resigned on 20 May 2019)	√	√
Xia Yinan (resigned on 20 May 2019)	√	√

Remuneration Committee

The Company has established the Remuneration Committee according to the relevant requirements of GEM Listing Rules. The chairman of the Remuneration Committee is Mr. Guo Xinping, an independent non-executive Director, and other members include Ms. Xia Lin, an executive Director, and Ms. Li Xuemei, an independent non- executive Director, which is in compliance with the requirement of GEM Listing Rules that the Remuneration Committee shall comprise a majority of independent non-executive directors.

The Company has set out the Remuneration Committee's written terms of reference and duties. The primary duties of the Remuneration Committee include making recommendation to the Board on the specific remuneration packages of individual executive directors and members of senior management, including benefits in kind, non-pecuniary benefits, retirement and pension rights and compensation, compensation for resignation from office or appointment and compensation amounts (including compensation for loss/termination of office/appointment), and making recommendations to the Board on the remuneration of non-executive directors etc. The Remuneration Committee shall consider various factors including the salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Company and feasibility of performance- based remuneration.

During the period, the Remuneration Committee held two meetings, at which it reviewed the existing terms of the service contracts of all Directors. The Remuneration Committee considers that the existing terms of the service contracts of all Directors are fair and reasonable.

Nomination Committee

The Company has established the Nomination Committee according to the relevant requirements of GEM Listing Rules. The Chairman of the Nomination Committee is Ms. Xia Lin, the chairman of the Board, and other members include Mr. Guo Xinping, Ms. Li Xuemei and Mr. Chen Yung-cheng, who are independent non-executive Directors.

The Company has set out the Nomination Committee's written terms of reference and duties. The primary duties of the Nomination Committee include reviewing regularly of the structure, size and composition of the Board (including skills, knowledge and experience), according to the shareholding structure of the Company and management and operation requirements of the Company, and making recommendations on any proposed changes to the Board; identifying individuals suitably qualified to take up the office of Directors, and selecting the relevant individuals nominated for directorship or providing advices to the Board in this regard; assessing the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors etc.

During the period, the Nomination Committee held two meetings, at which it reviewed the structure, size and composition of the Board that are in compliance with the relevant requirements under the GEM Listing Rules and Articles of Association, and confirmed the independence of the independent non-executive Directors as well as reviewed the Board Diversity Policy.

Nomination Policy

The Company has adopted a nomination policy in accordance with the CG Code, which provides written guidelines for the Nomination Committee to appoint qualified individuals to the Board and advise the Board on the nomination of candidates for directorship with reference to specified criteria. The Board is ultimately responsible for selection and appointment of new directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional headhunters. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Nomination Process

(1) After sufficient communication, the Nomination Committee will carefully consider the Company's needs, nomination policy and board diversity policy to form a written document;

(2) the Nomination Committee identifies suitable candidates from the Company internally and from the human resources market; makes recommendations to the Board in this regard after preliminary review of the profession, academic qualification, job title, and detailed working experience, including existing jobs, of such candidates;

(3) performs other follow-up work according to the decisions and feedbacks of the Board.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

(1) Reputation for integrity;

(2) Commitment in respect of available time and relevant interest; and

(3) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Audit Committee

The Company has established the Audit Committee that comprises three independent non-executive directors. The Chairlady of the Audit Committee is Ms. Li Xuemei and other members include Mr. Guo Xinping and Mr. Chen Yung-cheng. Ms. Li Xuemei has corresponding professional qualifications and financial experience. The Company has set out in its written terms of reference power and duties according to the requirement of Rule 5.29 of GEM Listing Rules.

During the period, the Audit Committee held seven meetings in total, at which it reviewed the financial statements and annual reports for the year ended 31 December 2018, the 2019 interim report and quarterly reports for the periods ended 31 March 2019 and 30 September 2019. The Audit Committee was of the view that the preparation of such results has complied with applicable accounting standards and relevant regulatory and law provisions, and such results included sufficient disclosures. The Audit Committee has also reviewed contents including related party transactions as well as the effectiveness of risk management and internal control procedures and the internal audit function etc., and submitted its review opinion to the Board for consideration and approval.

The Audit Committee has reviewed the financial statements and annual report for the year ended 31 December 2019, and was of the view that the preparation of such results has complied with applicable accounting standards and relevant regulatory and law provisions, and such results included sufficient disclosures.

Attendance of Directors at Board Meetings, Committee Meetings, and General Meetings

During the period, all directors on the Board met twelve times, and one annual general meeting was held. Set out below is a record of the attendance of directors at the meetings held during the period:

	Attendance Record for Meetings Held During the Period				
Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	General Meeting
Total Meetings	12	2	2	7	1
Ms. Xia Lin	7/7	1/1	1/1	N/A	1/1
Mr. Sun Huifeng	7/7	N/A	N/A	N/A	1/1
Mr. Guo Xinping	12/12	2/2	2/2	7/7	1/1
Ms. Li Xuemei	12/12	2/2	2/2	7/7	1/1
Mr. Chen Yung-cheng	7/7	N/A	1/1	5/5	1/1
Zhao Zeming *(resigned on 20 May 2019)*	5/5	1/1	1/1	N/A	1/1
Luo Junrui *(resigned on 20 May 2019)*	5/5	N/A	N/A	N/A	0/1
Xia Yinan *(resigned on 20 May 2019)*	5/5	N/A	1/1	2/2	0/1

Remuneration of the senior management by remuneration band

Pursuant to Code Provision B.1.5, the remuneration of the senior management by remuneration band for the year ended 31 December 2019 is set out below:

Remuneration band	Number of individuals
RMB300 thousand and below	—
RMB301 thousand to RMB500 thousand	1
RMB501 thousand to RMB1,000 thousand	8
RMB1,001 thousand or above	2

Directors' emoluments and the five highest paid individuals disclosure in details pursuant to Rule 18.30 of the GEM Listing Rules are set out in notes 13 and 14 to the consolidated financial statements on pages 108 to 111 of the annual report.

AUDITOR'S REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions would constitute any potential material adverse effect on the Company. During the year, an aggregate of RMB800 thousand was payable by the Company to the external auditor as remuneration for their auditing services. Apart from the above, no non-audit service has been provided by the external auditor of the Company.

DIRECTORS' AND AUDITOR'S FINANCIAL REPORTING RESPONSIBILITY

The Board is responsible for presenting a balanced, clear and comprehensive annual report and interim report, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors are responsible for preparing accounts that present a true and fair view of the operations, financial conditions, and cash flow on a going concern basis. The accounts of the Group are prepared in accordance with the requirements under all relevant laws and regulations and the applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable.

The responsibilities of the auditor of the Company with respect to the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 61 to 62.

CONTINUING OPERATION

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operation in the foreseeable future and therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The risk management and internal control systems of the Company were designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Effective procedures are adopted by the Group to identify, assess, and manage the risk exposure potentially affecting our business objectives, under which, the Board will be responsible for assessment over the acceptable risk nature and levels involved in the Group's business objectives, constant review of the risk management and internal control systems, and performance of judgments of its effectiveness; the internal audit team will be responsible for identifying the possibility and impacts of risk exposure against the Company, as well as assessing the risk portfolio with countermeasures to be considered against such risks; the management will be responsible for operating appropriate and effective risk management and internal control systems, as well as directing the performance of the relevant risk management departments and procedures based on the Group's organizational structure.

The Group operates its risk management and internal control systems mainly on a dynamic and ongoing basis. As a result, constant follow-ups and records will be performed to identify and assess the major risks affecting the Group's business objectives to be attained; assessment and review of such risks will be based on the possibilities and subsequent consequences of the risk exposure, the level of which will determine the level of attention and the necessary efforts to be taken by the management; to ensure the effectiveness of these systems, countermeasures will be devised and timely updated, and ongoing testing over internal monitoring procedures will be conducted.

The Board has conducted review on whether the risk management and internal control systems of the Group were effective for the year ended 31 December 2019. Based on the Audit Committee's review on investigation findings prepared by the internal audit team as well as its assessment on the risk management and internal control systems, the Board was of the view that the Group's risk management and internal control systems, including financial control, operational control and compliance control, accounting policies, internal control procedures, staff qualifications and experience, the training programmes for staff and the relevant budget of the accounting, are effective and adequate. No material defect in the risk management and internal control systems was identified in the review. Therefore, the Board believes that risk management and internal control systems were effectively operated and that appropriate resources were allocated and utilized.

To tighten control over inside information of the Group and maintain true, accurate, complete, and timely disclosures, several appropriate measures have been taken by the Group to ensure proper guarantee mechanisms in place will prevent any violation of the relevant GEM Listing Rules, including but not limited to:

— Only a limited number of employees may be permitted to access inside information wherever necessary, and directors, supervisors, senior management, and employees in possession of inside information shall fully understand their obligations of confidentiality;

— Confidentiality clauses will be incorporated into any significant negotiations and contracts entered into with the Group;

— The management of the Group will inform the Board of any possible disclosure or divulgement of inside information as soon as practicable so that responsive and appropriate actions can be taken;

— In case of evidence supporting gross violation of the inside information policies, the Board will appoint or designate appropriate personnel to adopt remedial actions with respect to the relevant issues.

COMPANY SECRETARY

Ms. Chan Yin Wah ("Ms. Chan") is the Company Secretary of the Company in complied with the requirements in Rule 5.15 of the GEM Listing Rules. She is also the Associate Director of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). Ms. Chan's primary contact persons of the Company are Mr. Fu Changwen (Secretary of the Board) and Ms. Hu Yun (Financial Controller).

SHAREHOLDERS' RIGHTS

(1) Procedures for commencing shareholders' meetings and class meetings

According to Article 73 of the Articles of Association, two or more shareholders holding ten per cents (10%) or more of the voting shares in aggregate at the proposed meeting may, by signing one or more counterpart requisitions stating the subject(s) of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall convene such extraordinary general meeting or class meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid shareholdings shall be calculated on the basis of the date of submission of the written request by the shareholders. In case that the Board fails to give a notice to convene such meeting within thirty (30) days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting themselves within four months after receipt of the request by the Board. Such meeting shall be convened with procedures as similar as possible where general meeting are convened by the Board. The expenses reasonably incurred by shareholders in convening and holding such a meeting themselves by reason of the failure of the Board to hold such a meeting pursuant to the aforesaid request shall be borne by the Company and shall be deducted from any amount due to the breaching directors by the Company.

(2) Procedures for directing shareholders' enquiries to the Board

Shareholders have the right to raise enquiries to the Board. All enquiries shall be submitted in writing to the below contact addresses:

Principal Place of Business in Hong Kong

Address: 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

Principal Place of Business in Beijing

Address: 10th Floor, CCID Plaza, 66 Zizhuyuan Road, Hai Dian District, Beijing, PRC

(3) Procedures for shareholders putting forward proposals at a general meeting

According to Article 55 of the Articles of Association, when the Company convenes an annual general meeting, shareholders holding more than five (5) per cent. (including five (5) per cent.) of the total voting shares of the Company in aggregate are entitled to propose new resolutions in writing to the Company (please refer to below contact address). The Company shall include matters which fall within the scope of duties of the general meeting into the agenda of such meeting.

Shareholders have the right to raise enquiries to the Board. All enquiries shall be submitted in writing to the below contact addresses:

Principal Place of Business in Hong Kong

Address: 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

Principal Place of Business in Beijing

Address: 10th Floor, CCID Plaza, 66 Zizhuyuan Road, Hai Dian District, Beijing, PRC

ARTICLES OF ASSOCIATION

No amendment to the Articles of Association has been made by the Company during the year ended 31 December 2019.

Environmental, Social and Governance Report

The Board hereby presents this environmental, social, and governance report, which was prepared based on the Environmental, Social and Governance Reporting Guide in the Appendix 20 to the GEM Listing Rules.

ENVIRONMENT AND NATURAL RESOURCES

The Group is in compliance with the Environmental Protection Law of the People's Republic of China and other relevant laws and regulations. Currently, we are principally engaged in consulting services, which poses comparatively limited impacts on the environment. However, environmental protection remains a major concern, the Group encourages environmental protection and enhances our employees' environmental awareness.

Besides conducting reviews on its environmental conditions from time to time, the Group considers implementing further environmental protection measures, sustainability objectives, and practices during its business operations. By embracing the principles of conservation, recycle, and reuse, the Company will minimize the impacts on environment.

Use of Resources

In compliance with the Water Law of the People's Republic of China, the Energy Conservation Law of The People's Republic of China, The Circular Economy Promotion Law of the People's Republic of China, Design Standard for Energy Efficiency of Public Buildings and other laws and regulations, the Group adopts a series of measures to protect the environment under the principle and practice of recycling and conservation. In light of the business nature of consulting services, the Group mainly consumes such resources as office water, power and paper. The Group does not need to use packaging materials since it has no physical products for sale. The following table sets out major resources used by the Group for the year ended 31 December 2019:

Types of resources used	Unit	Usage amount	Per employee resource usage
Power consumption	kWh	222,742.03	709.37
Water consumption	ton	2,616.67	8.33
Paper consumption	ton	14.00	0.05

* The total paper consumption and per employee paper consumption of the Group are relatively low and minimal, respectively, which is not applicable here.

The Group advocates water conservation and encourages the use of recycled paper for printing and photocopying, double-sided printing and photocopying, as well as transmitting data electronically as much as possible to reduce paper consumption in offices. The Group fully utilizes the modern information technology to promote the paperless work environment under our computerized and network-based working model. This model helps save more paper consumption, telecommunication fees and postage, as it also minimizes such contact means that consumes resources of the social telecommunication routes and postal services, including the use of telephone, fax, and postal services. Employees are encouraged to use reusable instead of irreplaceable office supplies and stationery.

EMISSIONS

According to the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Action Plan for Water Pollution Prevention and Control, the Regulations on Urban Drainage and Sewage Treatment and the Action Plan on Prevention and Control of Air Pollution, the Group pays close attention to its pollutants emissions. The Group's pollutants are mainly generated in the operation of daily offices as its business operation does not involve any manufacturing activity, therefore the Group do not generate hazardous waste. During the year, the waste generated mainly includes domestic sewage, office waste and vehicle exhaust. The emissions generated by the domestic sewage include Chemical Oxygen Demand (COD), Biochemical Oxygen Demand (BOD), Suspended Solids (SS) and Ammonia nitrogen. The following table sets out the emissions from office waste and vehicle exhaust by the Group for the year ended 31 December 2019:

Types of emissions	Emissions (ton)	Per employee emission (ton)
Office waste	**36.35**	**0.12**
of which: Waste paper	0.07	N/A
Garbage	36.28	0.12
Vehicle exhaust		
of which: Carbon monoxide	0.04	N/A

During the year, the Group's total greenhouse gas emissions amounted to 189.73 tons of CO2 equivalent, and the per employee greenhouse gas emissions was 0.58 tons of CO2 equivalent.

The Group controls the office room temperature and the hours of air-conditioning service, turns off idle lighting in a timely manner to reduce energy consumption and carbon emission, and selects direct fights for required business trips. Besides efficiently using the video-conferencing function for seminars, the Group formulates administrative vehicle management measures to improve the management of fuel use and reduce exhaust emission, and assigns dedicated personnel to allocate vehicles to maximize the utilization rate of vehicles, save energy, and reduce emissions. The Group's recyclable waste and waste paper have been uniformly reclaimed for processing by qualified property companies.

SOCIAL

Employment

The Group is in strict compliance with the relevant laws and regulations, including the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China", "Implementation Rules of the Labor Contract Law of the People's Republic of China", and "Social Insurance Law of the People's Republic of China", pursuant to which, labor contracts are entered into with its employees to establish the labor contract system amongst all employees and clarify the entitlements and due obligations of the employees. The legitimate rights of our employees are protected under the law. The Group established and continues to improve employment policies including remuneration systems and incentive mechanisms, while revising and improving the relevant administrative policies including labor and employment and fringe benefits. All employees are entitled to various types of leave, including national statutory holidays, weekends, pay leave, wedding leave, and maternity leave.

The Group adheres to the principle of accountability, thus establishing the basic employee salary system and performance-based assessment system. These systems prescribe the working requirements in compliance with the relevant posts, clarify the work standards, and highlight the work performance. In this way, the employees' competence, attitude, and performance for their work will be objectively and fairly evaluated. To ensure an effective management system for the performance of employees, the Company will conduct a monthly performance-based assessment, which quantifies the assessment indicators. As a result, the assessment results of employees' performance will directly affect their salary and income, which in return will effectively encourage the positivity of the employees towards work, as well as enhancing and stabilizing the harmonious relationship between the employees and employer.

The Group will not discriminate against its employees due to sex, disability, pregnancy, family conditions, race, skin color, religion, age, sex orientation, nationality, union membership, or other conditions as recognized by law. Staff representative supervisors will be elected under the requirements of the Company Law and the Articles of Association, thereby ensuring that employees will fully enjoy the rights of corporate governance. Meanwhile, the Company proactively supports the meetings of the staff representatives held under law, and the staff representatives meetings take the lead in improving the Company based on the "reasonable and constructive implementation opinions". Seminars and other forms will take place at the staff representatives meetings, during which, the opinions and recommendations by employees will be presented. Rectifications will be proposed to address those reasonable requirements as raised by the employees, thus safeguarding the employees' rights of democratic management.

To enrich the spiritual and cultural activities of the employees, the Group will regularly or from time to time encourage employees to participate in a variety of activities, including public charity events, singing contests, get-together parties, and badminton games. These activities provide a stage for our employees to perform their talents, whereby enriching the spiritual and cultural contents of the employees, further encouraging the employees to help and care about each other, as well as enhancing cohesion among employees and their sense of belonging to the Group.

As of 31 December 2019, the Group had a total of 324 staffs, which are all full-time staffs.

HEALTH AND SAFETY

In compliance with the "Social Insurance Law of the People's Republic of China", "Unemployment Insurance Regulations", "Interim Regulations on Collection and Payment of Social Insurance Premiums", "Regulations on Work- Related Injuries", and other relevant laws and regulations, the Group makes monthly contributions in full to the housing fund, the social retirement pension, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance, and other social insurances in favor of its employees. In accordance with the relevant regulations set by the labor authorities, the Group will timely process the relevant formalities regarding contracts related to new employments and resignations and social insurance policies. Therefore, the social insurance package of employees is safeguarded, ensuring that employees will receive assistance and compensation due to their retirement, sickness, work-related injury, unemployment, maternity, and other conditions. In addition, they are entitled to pay leave, annual leave, and other benefits. In return, an equal and fair environment will be created for all employees to stay focused on work and seek individual development.

DEVELOPMENT AND TRAINING

The Group values the employee training and career planning, and therefore establishes a well-developed training system. This system is comprised of induction training, on-the-job training, special skill training, spare-time continuing education, and others. For new employees, the Company will proactively organize induction training with its complete set of training information and detailed training processes, thus facilitating employees' early adaption to the work environment. For daily work, varied training forms will be adopted, including in-house training, employee seminars, elite courses, and one training session per month. The Company's internal management platform enables timely release of various training information related to its business operations, and employees are encouraged to proactively participate in professional training that improves the expertise of the employees. These are our efforts to enhance their professionalism and occupational level.

As of 31 December 2019, the training rate of senior management and middle management of the Group was 100%.

LABOUR STANDARDS

In compliance with the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China", "Provisions on the Prohibition of Using Child Labor", and other laws and regulations, the Group prohibits any forced employment or child labor. All contracts entered into with any third-party suppliers also stipulate that the Group practices the zero-tolerance policy against any forced employment and child labor, in which case, all suppliers are required to accept and comply with the terms and code of conduct thereto to avoid direct or indirect involvement in any violation against human rights, while ensuring that all work executed will comply with all relevant labor laws and regulations.

SUPPLY CHAIN MANAGEMENT

With a strong sense of responsibility, the Group, together with suppliers and customers, is committed to building a supply-chain partnership that promotes "equality, stability, good faith, and mutual benefits". By constantly improving our systematic work, including the organizational system, quality supervision, financial supervision, and procedural control, the Group will provide its customers with premium products and services and greater value. In addition, the Group will continue improving its own value. In conjunction with its suppliers and customers, the Group will achieve mutual supervision, common advancement, and continued improvement. By so doing, the Group will promote the benefits and improvement in the entire industry chain, while generating greater social value.

The Group continues to improve its procurement processes and mechanism. In addition to practicing strict screening of suppliers from the supply chain, the Group formulates a public and transparent screening process, while preparing and strictly executing the well-established procurement and management system. In the process of selecting suppliers, the Group will conduct a stringent review over the suppliers in terms of their qualification, quality assurance capacities, product and service competence, and many other areas. During the procurement, the Company will collect, track, and evaluate the quality, delivery schedule, technical support, aftersales services, and other information related to these suppliers.

The Group complies with the national laws, regulations, and social norms in an effort to cultivate a fair and healthy business environment. Discipline learning about being a clean and honest employee is organized for employees in varied positions, including management and procurement personnel. The Group will strictly monitor and prevent commercial bribery and improper transactions. Any supplier that perpetuates commercial bribery and unfair competition will be prohibited by the Group from being added to its list of supplier partnership.

PRODUCT RESPONSIBILITY

In compliance with the "Product Quality Law of the People's Republic of China" and relevant laws and regulations, the Group fully implements the procedures to maintain information privacy and data security. Therefore, the Group will protect individual privacy, safeguard sensitive trade information, and prevent children and young people from accessing improper information. During the reporting period, any gross violation, which may constitute material effects on the Group, of the relevant laws and regulations was not found. As of 31 December 2019, no products sold or delivered by the Group had to be recalled for safety and health reasons.

By capitalizing on the increasingly diversified channels and means, including product design and innovation, integration of online and offline operations, and establishment of platforms, the Group continues to improve its customer satisfaction. The Company establishes and enhances the mechanism for closely and smoothly communicating with customers. By virtue of follow- up calls, interviews, e-mail message, submits, WeChat, Weibo, and other channels, the Company ensures its research team will timely and accurately collect and process customer comments and recommendations and other requirements. According to the "Measures to Transfer and Manage the Customer Request Hotline, as well as the Measures to Investigate and Evaluate Customer Satisfaction" released and implemented by the Group, the matching between the customer request hotline and sales regions and research businesses was highly accurate, enabling our customers to experience highly efficient and professional services. The integration of the customer satisfaction investigation into the project management and the payment recovery assessment improved the customer satisfaction in terms of special consulting services. Meanwhile, the Company shifted the post-event evaluation to in- progress control when engaging in the customer satisfaction investigation. In addition, quality control over the suspicious projects was exercised. These engagements played a positive role in improving the overall customer satisfaction of the Company and managing the payment recovery.

ANTI-CORRUPTION

The Group is committed to maintaining a high level of corporate governance, the principles of which emphasize that our business operations in all aspects shall be in full and strict compliance with the ethics, transparency, accountability, and integrity. According to the Group's operating rules and corporate liability policies, directors, management, and employees of the Company are required to perform their acts under the high-level ethical standards. The Group strictly prohibits any bribery or corruption in any form or at any level from taking place in the business operations. The Company has already set up a complaint channel, whereby its employees and other persons may report such unethical or illegal actions in a confidential and/or anonymous manner.

Any person in violation of the policies of the Group and/or the relevant laws may be subject to disciplinary and administrative penalties, as well as civil or criminal liabilities. In case of any non-compliance with the policies of the Company, such employee may be subject to termination of employment or other actions. In 2019, the Company was not involved in any litigation against corruption.

COMMUNITY INVESTMENTS

To assist a poverty-stricken county, the Group designated an employee who has good political integrity with strong performance and sound professional practices. This employee is responsible for coordinating and implementing the assignment of poverty alleviation, as well as assisting the precise poverty targets. The Group also continued to organize public charity campaigns, such as "Caring Donations to Underprivileged Mothers under the Family Planning Policy". We also took caring actions for our sick employees and their family members. By so doing, we brought all employees as a whole to a healthy and positive community and organization.

Report of the Directors

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in management and strategic consultancy, market consultancy, data information management and information engineering supervision and other services. There was no significant change in the nature of the Group's principal activities during the year. The principal activities and other details of the Company and its subsidiaries are set out in note 1 and note 33 to the consolidated financial statements.

BUSINESS REVIEW

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 6 to 16 of this annual report. The Management Discussion and Analysis constitutes a part of this Report of the Directors.

BUSINESS OUTLOOK

The business outlook of the Group's business are detailed in the Chairman's Statement on pages 4 to 5 of this annual report. The Chairman's Statement constitutes a part of this Report of the Directors.

KEY RISKS AND UNCERTAINTIES

Market Risk

The Group's major customers include governmental authorities at all levels, industrial parks and enterprises. Under the new landscape of establishment of the new think tanks with Chinese features, think tanks and consulting institutions such as key academies of social science, administration institutes of party institutes of CCP and higher education institutions are going to step up their service efforts towards government and industrial zone customers, which makes the market increasingly competitive. Furthermore, the PRC economic development has come to an era of new normal, under which the economic growth shifted from high gear to medium-to-high gear. The growth in fiscal revenue of local governments slowed down and there was a significant change in the market environment of enterprises, which may cause a decrease in budgets or investments of the government, industrial parks in respect of their demand for consulting services, and thus, may affect the business growth of the Group.

Risk of Talent Loss

The Group has always attached great importance to incentives for talents. Although it has established and refined the relevant remuneration system, there can be no assurance that all outstanding talents and core personnel can be retained. Meanwhile, increased competition among consulting institutions has intensified competition for professionals to a certain extent, which exposed the Group to risk of talent loss.

Financial Risk

For details, please see note 6 to the consolidated financial statements on pages 92 to 99 of this annual report.

Save as mentioned above, there may be other risks and uncertainties that are unknown to the Group or which may not be material at present but may turn out to be material in the future.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 December 2019 and the financial position of the Group as at that date were set out on pages 63 to 65 of this annual report.

The Board has proposed the payment of a final dividend of RMB1.43 cents (tax inclusive) per share for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on 23 June 2020 (the "2019 Final Dividend"). Based on the number of issued shares as at the date of this annual report, the 2019 Final Dividend, if declared and paid, will amount to an aggregate amount of approximately RMB10,010 thousand (tax inclusive). For distribution of 2019 Final Dividend, dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong Dollars (at the average closing prices of Hong Kong dollars announced by the People's Bank of China one week prior to the announcement of dividend, i.e. the date that the annual general meeting of the Company to be held on 12 June 2020 (the "2019 AGM")). The proposed payment of 2019 Final Dividend is subject to the approval by the shareholders at the 2019 AGM.

Pursuant to the Notice on the Issues Concerning Withholding Enterprises Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders《(關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, a PRC resident enterprise, when distributing dividends for the year 2008 and for the years thereafter to holders of H shares who are overseas non-resident enterprises, shall be subject to enterprise income tax withheld at a uniform rate of 10%. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the enterprise income tax.

Pursuant to relevant laws and regulations and regulatory documents such as the Individual Income Tax Law of the People's Republic of China《(中華人民共和國個人所得税法》), the Implementation Rules of the Individual Income Tax Law of the People's Republic of China《(中華人民共和國個人所得税法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124)《(國家税務總局關於印發〈非居民享受税收協議待遇管理辦法(試行)〉的通知》(國税發[2009]124號)) and the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348)《(國家税務總局關於國税發[1993]45號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)), dividends received by overseas resident individual shareholders from the stocks issued by domestic nonforeign investment enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of the stocks issued by domestic nonforeign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). For individual holders of H shares, dividends payable to them are subject to the individual income tax withheld at a tax rate of 10% in general unless otherwise specified by the tax regulations and the relevant tax agreements.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which, the Company will prioritize payments of dividends by cash to the shareholders of the Company to share the profits with them.

Any proposed dividend payment shall be determined by the Board at its discretion after taking into consideration the financial results and future prospect of the Group and other factors, which shall be subject to the articles of association of the Company, investment and operation requirements, and any other factors that cause material impacts on the Company. Announcement of any dividend payment is conditional upon the approval of the shareholders.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend and vote at the 2019 AGM, the register of H shareholders will be closed from 13 May 2020 to 12 June 2020, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for attending the 2019 AGM, all transfer documents of H shares accompanied by the relevant share certificate(s) must be lodged to the Company's H share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 May 2020 for registration.

Shareholders whose names appear on the register of members of the Company at the close of business on 12 May 2020 will be entitled to attend and vote at the 2019 AGM.

In order to determine the shareholders who are entitled to receive the 2019 Final Dividend, the register of H shareholders will be closed from 18 June 2020 to 23 June 2020, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for receiving the 2019 Final Dividend, all transfer documents of H shares accompanied by the relevant share certificate(s) must be lodged to the Company's H share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 June 2020 for registration.

Shareholders whose names appear on the register of members of the Company at the close of business on 23 June 2020 are entitled to receive the 2019 Final Dividend. The proposed 2019 Final Dividend will be paid on or about 7 August 2020 following the approval at the 2019 AGM.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and a summary of the assets and liabilities of the Group for the last five financial years extracted from the audited financial statements are set out on page 136. This summary is not a part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year were set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

The movement in the Company's registered, issued and fully paid share capital during the year was set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the Company Law of the PRC. Therefore, the Company is not obliged to offer new shares on pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

LOANS AND BORROWINGS

The Group had no loans and borrowings during the year.

DISTRIBUTABLE RESERVES

For the year ended 31 December 2019, no capital reserve of the Group was available for distribution by way of a future capitalization issue. In addition, the Company had retained profits of approximately RMB90,633 thousand available.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 11.52% of the total annual sales of the Company, and of which sales to the largest customer accounted for 3.53%.

The Group has provided certain consulting services to the companies under the same ultimate shareholder as the Company, details of which were set forth in note 29 to the consolidated financial statements, "Related Party Disclosures". Save as disclosed above, none of the Directors or any of their associates or any other shareholder which owns more than 5% of the Company's issued share capital, to the knowledge of the directors, has any interests in the Company's five largest customers.

As the nature of the Group's main activities are provision of consulting and research services, which may be acquired by various suppliers at similar prices, there is no major supplier (as defined in Chapter 18 of the GEM Listing Rules). The Group has maintained a sustained and stable relationship with its customers and suppliers by providing its customers with products and services in good quality. The Group's business has not relied on any individual customers and suppliers which have a material impact on the Group.

THE BOARD OF DIRECTORS

For the year ended 31 December 2019 and as at the date of this annual report, the Board comprised:

Executive Director
Xia Lin *(Chairman)* (appointed on 20 May 2019)
Zhao Zeming (resigned on 20 May 2019)

Non-Executive Director
Sun Huifeng (appointed on 20 May 2019)
Luo Junrui (resigned on 20 May 2019)

Independent Non-Executive Directors
Guo Xinping
Li Xuemei
Chen Yung-cheng (appointed on 20 May 2019)
Xia Yinan (resigned on 20 May 2019)

In accordance with the requirements of the Articles of Association, the term of all existing Directors is three years and they may elect to be re-elected.

BIOGRAPHY OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The details of the biography of the directors, supervisors and senior management are set out in pages 17 to 21 of this annual report.

SERVICE CONTRACTS FOR DIRECTORS AND SUPERVISORS

Ms. Xia Lin, an executive Director of the Company, was appointed with effect from 20 May 2019, and entered into a service contract for a term from 20 May 2019 to 25 November 2020 with the Company.

Mr. Sun Huifeng was appointed as a non-executive Director of the Company with effect from 20 May 2019, and entered into a service contract for a term from 20 May 2019 to 25 November 2020 with the Company.

Mr. Guo Xinping and Ms. Li Xuemei, the independent non-executive Directors of the Company, were re-elected and appointed with effect from 25 November 2017, and entered into a service contract for a term of three years from 25 November 2017 to 25 November 2020. Mr. Chen Yung-cheng, the independent non-executive Director of the Company, was appointed with effect from 20 May 2019 and entered into a service contract for a term from 20 May 2019 to 25 November 2020.

Ms. Chen Ying, the Supervisor of the Company, was appointed with effect from 25 November 2017 and entered into a service contract for a term from 25 November 2017 to 25 November 2020 with the Company. Mr. Gong Ping, the Supervisor of the Company, was appointed with effect from 20 May 2019 and entered into a service contract for a term from 20 May 2019 to 25 November 2020. Ms. Lian Jing was elected as the supervisor of staff representatives in the staff representatives meeting and has entered into a service contract from 20 December 2019 to 25 November 2020.

Except for the above contracts, for the year ended 31 December 2019, the Directors and the Supervisors did not have any other service contract with the Company and its subsidiaries.

DIRECTORS' AND SUPERVISORS' REMUNERATION

The Directors' and Supervisors' remuneration shall be approved by the shareholders at the general meeting. Other emoluments shall be fixed by the Board based on the Directors' and Supervisors' duties, responsibilities and performance as well as the Company's results. The details of the Directors' and Supervisors' remuneration are set out in note 13 to the consolidated financial statements.

In accordance with the Circular issued by the Organization Department of the Communist Party of China on Matters Relating to Part-time Employment of Retired (Resigned) Leaders and Cadres in Social Groups, Mr. Luo Junrui (resigned on 20 May 2019) and Ms. Chen Ying, being a director and supervisor of the Group, respectively, will no longer receive the allowances granted to directors and supervisors from the Company with effect from 2018 as they both satisfied the criteria governing part-time employment of retired (resigned) leaders and Cadres in social groups.

CONTRACT OF SIGNIFICANCE

Apart from those disclosed under the relevant connected transactions and continuing connected transactions in this annual report, none of the Company, its holding company or any of its subsidiaries or subsidiaries of the Company has entered into any contract of significance during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the Group has entered into the following continuing connected transactions, and disclosure of certain details is in compliance with requirements of Chapter 20 of the GEM Listing Rules.

1. Non-Exempted Continuing Connected Transactions (From 1 January 2016 to 31 December 2018)

(1) On 26 October 2015, the Company and China Center of Information Industry Development* ("CCID") renewed the information consultancy and supervision services revenue framework agreement which came to expiry on 31 December 2015 (the "Renewed Framework Agreement 1"). Pursuant to the Renewed Framework Agreement 1, the Company and/or its subsidiaries (as defined in the announcement of the Company dated 26 October 2015, the same below) shall, upon the request of CCID and/or its associates (as defined in the announcement of the Company dated 26 October 2015, the same below), provide information planning and information engineering supervision services to CCID and/or its associates for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 1 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB6,000,000, RMB6,300,000 and RMB6,678,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 1), respectively. The individual continuing connected transactions between CCID and/or its associates and the Company and/or its subsidiaries under the Renewed Framework Agreement 1 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(2) On 26 October 2015, the Company and CCID renewed the information consultancy and supervision services expense framework agreement which came to expiry on 31 December 2015 (the "Renewed Framework Agreement 2"). Pursuant to the Renewed Framework Agreement 2, the CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide information planning and information engineering supervision services to the Company and/or its subsidiaries for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 2 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB1,000,000, RMB1,050,000 and RMB1,113,000 (this amount will last until the date of termination of the Renewed Framework Agreement 2), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 2 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(3) On 26 October 2015, the Company and CCID renewed the management and strategic consultancy services revenue agreement which came to expiry on 31 December 2015 (the "Renewed Framework Agreement 3"). Pursuant to the Renewed Framework Agreement 3, the Company and/or its subsidiaries shall, upon the request of CCID and/or its associates, provide management and strategic consultancy services in respect of industry research, industry planning, industrial park development, urban economic development, enterprise management and investment and financing to CCID and/or its associates for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 3 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB5,000,000, RMB5,250,000 and RMB5,565,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 3), respectively. The individual continuing connected transactions between CCID and/or its associates and the Company and/or its subsidiaries under the Renewed Framework Agreement 3 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(4) On 26 October 2015, the Company and CCID renewed the management and strategic consultancy services expense framework agreement which came to expiry on 31 December 2015 (the "Renewed Framework Agreement 4"). Pursuant to the Renewed Framework Agreement 4, CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide management and strategic consultancy services in respect of industry research, industry planning, industrial park development, urban economic development, enterprise management and investment and financing to the Company and/or its subsidiaries for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 4 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB1,200,000, RMB1,260,000 and RMB1,335,600 (these amounts will last until the date of termination of the Renewed Framework Agreement 4), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 4 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(5) On 26 October 2015, the Company and CCID renewed the administration services expense framework agreement which came to expiry on 31 December 2015 (the "Renewed Framework Agreement 5"). Pursuant to the Renewed Framework Agreement 5, CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide administration services in respect of house leasing, property management, Internet port and telephone and translation to the Company and/or its subsidiaries for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 5 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB3,500,000, RMB3,675,000 and RMB3,895,500 (these amounts will last until the date of termination of the Renewed Framework Agreement 5), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 5 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

For the category of information consultancy and supervision services, the applicable percentage ratios (other than the profit ratio) for the Renewed Framework Agreement 1 and the Renewed Framework Agreement 2 in aggregate, does not exceed 25%, and the total consideration is less than HK$10 million. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transactions were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

For the category of management and strategic consultancy services, the applicable percentage ratios (other than the profit ratio) for the Renewed Framework Agreement 3 and the Renewed Framework Agreement 4 in aggregate, does not exceed 25%, and the total consideration is less than HK$10 million. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transactions were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

For the category of administration services, the applicable percentage ratios (other than the profit ratio) for the Renewed Framework Agreement 5 does not exceed 5%. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transaction were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

CCID is the ultimate controlling shareholder of the Company and holds approximately 70.14% of the total issued share capital of the Company as at the date of this annual report. Accordingly, CCID and its associates are connected persons of the Company under the GEM Listing Rules. In accordance with Chapter 20 of the GEM Listing Rules, the above renewed framework agreements and the transactions contemplated thereunder constitute Continuing Connected Transactions of the Company.

As of the date of renewal of the framework agreement, as Mr. Luo Junrui (resigned on 20 May 2019), a former executive Director, and Mr. An Guangyou (resigned on 25 November 2017), a former non- executive Director, are the deputy director of Science and Technology Committee and the deputy chief economist of CCID respectively, both of them are materially interested in the above continuing connected transactions. In accordance with the GEM Listing Rules and applicable requirements, they were requested to abstain and did abstain from voting for passing the resolutions in relation to the approval of the aforementioned renewed framework agreements at the Board meeting.

Details of the above continuing connected transactions are set out in the Company's announcements dated 26 October 2015 and 24 November 2015.

2. Non-Exempted Continuing Connected Transactions (From 1 January 2019 to 31 December 2021)

(1) On 19 December 2018, the Company and CCID renewed the information consultancy and supervision services revenue framework agreement which came to expiry on 31 December 2018 (the "Renewed Framework Agreement 1"). Pursuant to the Renewed Framework Agreement 1, the Company and/or its subsidiaries (as defined in the announcement of the Company dated 19 December 2018, the same below) shall, upon the request of CCID and/or its associates (as defined in the announcement of the Company dated 19 December 2018, the same below), provide information planning and information engineering supervision services to CCID and/or its associates for the period from 1 January 2019 to 31 December 2021. The Renewed Framework Agreement 1 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2021 were RMB6,000,000, RMB6,300,000 and RMB6,615,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 1), respectively. The individual continuing connected transactions between CCID and/or its associates and the Company and/or its subsidiaries under the Renewed Framework Agreement 1 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(2) On 19 December 2018, the Company and CCID renewed the information consultancy and supervision services expense framework agreement which came to expiry on 31 December 2018 (the "Renewed Framework Agreement 2"). Pursuant to the Renewed Framework Agreement 2, the CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide information planning and information engineering supervision services to the Company and/or its subsidiaries for the period from 1 January 2019 to 31 December 2021. The Renewed Framework Agreement 2 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2021 were RMB1,200,000, RMB1,260,000 and RMB1,323,000 (this amount will last until the date of termination of the Renewed Framework Agreement 2), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 2 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(3) On 19 December 2018, the Company and CCID renewed the management and strategic consultancy services revenue agreement which came to expiry on 31 December 2018 (the "Renewed Framework Agreement 3"). Pursuant to the Renewed Framework Agreement 3, the Company and/or its subsidiaries shall, upon the request of CCID and/or its associates, provide management and strategic consultancy services in respect of industry research, industry planning, industrial park development, urban economic development, enterprise management and investment and financing to CCID and/or its associates for the period from 1 January 2019 to 31 December 2021. The Renewed Framework Agreement 3 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2021 were RMB5,300,000, RMB5,300,000 and RMB5,300,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 3), respectively. The individual continuing connected transactions between CCID and/or its associates and the Company and/or its subsidiaries under the Renewed Framework Agreement 3 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(4) On 19 December 2018, the Company and CCID renewed the management and strategic consultancy services expense framework agreement which came to expiry on 31 December 2018 (the "Renewed Framework Agreement 4"). Pursuant to the Renewed Framework Agreement 4, CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide management and strategic consultancy services in respect of industry research, industry planning, industrial park development, urban economic development, enterprise management and investment and financing to the Company and/or its subsidiaries for the period from 1 January 2019 to 31 December 2021. The Renewed Framework Agreement 4 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2021 were RMB3,300,000, RMB3,300,000 and RMB3,300,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 4), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 4 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

(5) On 19 December 2018, the Company and CCID renewed the administration services expense framework agreement which came to expiry on 31 December 2018 (the "Renewed Framework Agreement 5"). Pursuant to the Renewed Framework Agreement 5, CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide administration services in respect of house leasing, property management, Internet port and telephone and translation to the Company and/or its subsidiaries for the period from 1 January 2019 to 31 December 2021. The Renewed Framework Agreement 5 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2021 were RMB4,000,000, RMB4,200,000 and RMB4,410,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 5), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 5 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

For the category of information consultancy and supervision services, the applicable percentage ratios (other than the profit ratio and equity capital ratio) for the Renewed Framework Agreement 1 and the Renewed Framework Agreement 2 in aggregate, do not exceed 25%, and the total consideration is less than HK$10 million. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transactions were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

For the category of management and strategic consultancy services, the applicable percentage ratios (other than the profit ratio and equity capital ratio) for the Renewed Framework Agreement 3 and the Renewed Framework Agreement 4 in aggregate, do not exceed 25%, and the total consideration is less than HK$10 million. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transactions were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

For the category of administration services, the applicable percentage ratios (other than the profit ratio and equity capital ratio) for the Renewed Framework Agreement 5 do not exceed 5%. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transaction was exempted from the circular, independent financial advice and shareholders' approval requirements but is subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

CCID is the ultimate controlling shareholder of the Company and holds approximately 70.14% of the total issued share capital of the Company as at the date of this annual report. Accordingly, CCID and its associates are connected persons of the Company under the GEM Listing Rules. In accordance with Chapter 20 of the GEM Listing Rules, the above renewed framework agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

No Directors are materially interested in the continuing connected transactions.

Details of the above continuing connected transactions are set out in the Company's announcement dated 19 December 2018.

Save as disclosed above, for the year ended 31 December 2019, the Group did not enter into any other connected transactions and continuing connected transactions.

3. **Confirmation from the Directors and auditor**

Further details of the above continuing connected transactions and connected transactions are set out in note 29 to the consolidated financial statements on pages 126 to 127 of this annual report. Independent non-executive directors have reviewed the above non-exempted continuing connected transactions and confirmed as follows:

(1) The transactions are in the ordinary and usual course of business of the Group;

(2) The transactions have been entered into on normal commercial terms or better (as defined in the GEM Listing Rules); and

(3) The transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole.

According to Rule 20.54 of the GEM Listing Rules, the auditor has issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 126 to page 127 of this annual report. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

The Group's auditor has reviewed the above continuing connected transactions for the year ended 31 December 2019 which are non-exempted, and confirmed to the Board:

(1) Nothing has come to their attention that causes them to believe such continuing connected transactions were not approved by the Board;

(2) If the continuing connected transactions involve the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that such continuing connected transactions were not, in all material respects, conducted in accordance with the pricing policies of the Group;

(3) Nothing has come to their attention that causes them to believe that such continuing connected transactions were not, in all material respects, conducted in accordance with the agreed terms of the relevant transactions; and

(4) Nothing has come to their attention that causes them to believe that such continuing connected transactions exceeded the cap disclosed in relevant announcements and framework agreements.

TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the relevant connected transactions and continuing connected transactions in this annual report, no Directors or Supervisors, directly or indirectly, have any material interests in any transaction, arrangement or contract of significance entered into with the Company or any of its subsidiaries during the year ended 31 December 2019.

Further details about transactions conducted in relation to these contracts during the year were set out in Significant Related Party Transactions in note 29 to the consolidated financial statements.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2019, none of the Directors, Supervisors and chief executives or their close associates have any interest or short position in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 under Laws of Hong Kong) ("SFO")), which are required to inform the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise inform the Company and the Stock Exchange pursuant to the required standards of dealings by the Directors and Supervisors as mentioned in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES

At no time during the period were rights to obtain benefits by means of purchasing shares or debentures of the Company granted to any Director and Supervisor, their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and Supervisors to obtain such rights.

SHARE OPTION SCHEME

The Company conditionally adopted a Share Option Scheme as at 20 November 2002. The major terms and conditions of the Share Option Scheme were set out in the section "Summary of the Terms of Share Option Scheme" under Appendix IV of the prospectus as published by the Company on 29 November 2002. However, employees who are Chinese nationals are not entitled to exercise the option until these persons are allowed to subscribe or deal in H shares under the PRC laws and regulations. As at the date of this report, the Share Option Scheme is not yet effective. No Share Option has been granted under the Share Option Scheme as of 31 December 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES HELD BY THE COMPANY

As of 31 December 2019, the following persons (other than the Directors, Supervisors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions of shares

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued capital
China Centre of Information Industry Development ("CCID") (Note 1)	Interest of controlled corporation	Long position	491,000,000 domestic shares	100%	70.14%
Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Development ("Research Centre") (Note 1)	Beneficial owner	Long position	392,610,000 domestic shares	79.96%	56.09%
Beijing CCID Riyue Investment Co., Ltd "(CCID Riyue") (Note 1)	Beneficial owner	Long position	98,390,000 domestic shares	20.04%	14.06%
Legend Holdings Limited (Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Lenovo Group Limited (Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Legend Holdings (BVI) Limited (Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Legend Express Agency & Services Limited (Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Grade Win International Limited (Note 2)	Beneficial owner	Long position	20,000,000 H shares	9.57%	2.86%
Lam William Ka Chung (Note 3)	Interest of controlled corporation	Long position	14,600,000 H shares	6.99%	2.09%
J.P. Morgan Fleming Asset Management Holdings Inc. (Note 4)	Investment manager	Long position	15,000,000 H shares	7.18%	2.14%
J.P. Morgan Fleming Asset Management (Asia) Inc. (Note 4)	Investment manager	Long position	15,000,000 H shares	7.18%	2.14%
JF Asset Management Limited (Note 4)	Investment manager	Long position	10,700,000 H shares	5.12%	1.53%

Notes:

1. CCID, through Research Centre (controlled and supervised by CCID) and CCID Riyue (directly and indirectly, wholly owned by CCID) have beneficiary interests in the Company comprising the 392,610,000 domestic shares held directly by Research Center and the 98,390,000 domestic shares held directly by CCID Riyue.

2. Grade Win International Limited directly holds 20,000,000 H shares of the Company. Grade Win International Limited is a wholly-owned subsidiary of Legend Express Agency & Services Limited. Legend Express Agency & Services Limited is a wholly-owned subsidiary of Legend Holdings (BVI) Limited and Legend Holdings (BVI) Limited is a wholly-owned subsidiary of Legend Group Limited. Legend Holdings Limited holds 57.76% equity interests in Legend Group Limited, the above corporations are deemed to be interested in 20,000,000 H shares of the Company.

3. Kingsway Financial Services Limited directly holds 13,510,000 H shares of the Company. Kingsway Financial Services Limited is a wholly-owned subsidiary of Kingsway Securities Holdings Limited. Kingsway Securities Holdings Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited. Kingsway Lion Spur Technology Limited directly holds 1,090,000 H shares of the Company. Kingsway Lion Spur Technology Limited is a wholly-owned subsidiary of Festival Developments Limited. Festival Developments Limited is a wholly owned subsidiary of SW Kingsway Capital Holdings Limited. World Developments Limited directly holds 74% of the share capital of SW Kingsway Capital Holdings Limited. World Developments Limited is a wholly-owned subsidiary of Innovation Assets Limited. Innovation Assets Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited. Lam William Ka Chung directly and indirectly holds approximately 40% equity interests in the share capital of Kingsway International Holdings Limited. Lam William Ka Chung is deemed to be interested in 14,600,000 H Shares of the Company.

4. JF Asset Management Limited directly holds 10,700,000 H shares of the Company. JF International Management Inc. directly holds 4,300,000 H shares of the Company. J.P. Morgan Fleming Asset Management (Asia) Inc. respectively holds 99.99% and 100% equity interests of JF Asset Management Limited and JF International Management Inc. J.P. Morgan Fleming Asset Management (Asia) Inc. is a wholly-owned subsidiary of J.P. Morgan Fleming Asset Management Holdings Inc. J.P. Morgan Fleming Asset Management (Asia) Inc. and J.P. Morgan Fleming Asset Management Holdings Inc. are deemed to be interested in 15,000,000 H shares of the Company.

Save as disclosed above, as at 31 December 2019, there was no other person had interests and short position in shares and underlying shares of the Company were required to be kept in the register pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the sufficiency of public float requirement as specified in the GEM Listing Rules as at the latest practicable date prior to the publication of this annual report.

COMPETING INTERESTS

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company and their respective close associates has any interests in a business which competes with or may compete with the business of the Group.

MANAGEMENT CONTRACTS

During the year, the Company did not enter into any contracts with respect to the management and administration of all or any substantial part of the business of the Company.

DONATIONS

During the year, no donation was made by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group currently focuses on consulting services which have a low impact on the environment. However, environmental protection remains a key concern of the Group, and the Group therefore encourages environmental protection and promotes its environmental awareness to all employees.

The Group commits to the principle and practice of recycling and reducing. It adopts a series of measures to protect the environment, such as encouraging water conservation, use of recycled paper for printing and copying, double-sided printing and copying, as well as switching off idle lightings and air conditioners in a timely manner to reduce energy consumption in offices.

The Group will review its environmental practices from time to time and consider implementing further environmental friendly measures, sustainability targets and practices in the operation of the Group's businesses to embrace the principles of reduce, recycle and reuse, and further minimize our already low impact on the environment.

For details about the environmental policies and performance of the Group, please refer to the "Environmental, Social and Governance Report" set out on pages 34 to 39 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group carried out monitoring in respect of the Company's operations, financial management and staff management in accordance with relevant economic laws, regulations and implementation rules such as the Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法), the Contract Law of the People's Republic of China (中華人民共和國合同法), the Company Law of the People's Republic of China (中華人民共和國公司法), the Labour Law of the People's Republic of China (中華人民共和國勞動法), the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) and the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法). Meanwhile, it also reviewed its compliance with the GEM Listing Rules and the SFO.

To the best of the knowledge of the Board and the management, the Group complied with the relevant laws and regulations which constitutes material impact on the business and operation of the Company and its subsidiaries in all material respects.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors', Supervisors' and senior management's liabilities in respect of legal actions against its Directors, Supervisors and senior management arising out of corporate activities.

AUDITORS

SHINEWING (HK) CPA Limited was appointed as the auditor of the Company at the extraordinary general meeting with effect from 6 February 2020 to fill the vacancy following the resignation of Qual-Mark CPA Limited.

The financial statements for the year ended 31 December 2019 have been audited by SHINEWING (HK) CPA Limited who will retire and offer them for re-appointment at the 2019 AGM.

Apart from the above disclosure, there was no change in the Company's auditor in the past three years.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Group and its compliance are set out in the "Corporate Governance Report" on pages 22 to 33 of this annual report.

SUBSEQUENT EVENTS

On 16 January 2020, the Group subscribed a wealth management product, details of which are set out in note 36 to the consolidated financial statements.

On 20 March 2020, the Board proposed to distribute 2019 Final Dividend, details of which are set out in the section headed "RESULTS AND DIVIDENDS" in this Report of the Directors.

By Order of the Board

Xia Lin
Chairman

Beijing, the People's Republic of China
20 March 2020

Report of the Supervisory Committee

To: All Shareholders

The supervisory committee of CCID Consulting Company Limited (the "Supervisory Committee") has discharged its duties and authorities conscientiously, protected the interests of the shareholders and the benefits of the Company, and performed according to the principles of honesty and credibility scrupulously with reasonable care and diligent on proactive basis in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association.

During the year, the Supervisory Committee prudently reviewed the operational and development plans of the Company and provided reasonable suggestions and advice to the Board, strictly and effectively supervised the Company's management as to whether the making of significant policy decisions and specific decisions was in compliance with the PRC laws and regulations and the Articles of Association, and whether they were in the interests of shareholders.

We have reviewed conscientiously and gave our consent to the report of the Directors, the audited financial report and the dividend distribution proposal proposed at the 2019 AGM. We are of the opinion that the members of the Board, the general manager and other senior management of the Company have strictly observed the principles of honesty and credibility, performed their duties diligently and scrupulously, and have exercised their authority of office in good faith for the best interests of the Company, and have been capable of conducting their work in line with the Articles of Association, featuring relatively standardized operation and ever-perfecting internal control system. The transactions between the Company and related companies are executed strictly pursuant to terms in the interests of the shareholders of the Company as a whole and at fair and reasonable considerations. To date, none of the Directors, general manager and senior management members has been found abusing their authority of office, prejudicing the interests of the Company and infringing upon the interests of shareholders of the Company and employees of the Company, or in breach of any laws and regulations and the Articles of Association as well.

The Supervisory Committee is satisfied with the works and the economic benefits attained for the Company in 2019 and is fully confident in the future development of the Group.

By Order of the Supervisory Committee

Chen Ying
Chairlady of the Supervisory Committee

Beijing, the People's Republic of China
20 March 2020

Independent Auditor's Report

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CCID CONSULTING COMPANY LIMITED
賽迪顧問股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of CCID Consulting Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 63 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, 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 consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the 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 judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

- Revenue recognition
- Valuation of accounts receivables

REVENUE RECOGNITION

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 85 to 87.

The key audit matter	How the matter was addressed in our audit
The Group recorded revenue amounted approximately RMB240,819,000 from provision of management and strategic consultancy services, market consultancy services and information engineering supervision services for the year ended 31 December 2019. The Group recognises revenue at a point in time or over time by reference to the satisfaction of relevant performance obligations. We identified revenue recognition as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole and revenue is one of the key performance indicators of the Group and its significance.	In relation to the recognition of revenue from management consultancy service, market consultancy service and information engineering supervision, we performed the following procedures, on a sample basis. We have inspected, on a sample basis, customer contracts to identify terms and conditions relating to the provision of services and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; and We have compared, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, including service contracts and service records, to determine whether the related revenue had been recognised in the appropriate financial period.

VALUATION OF ACCOUNTS RECEIVABLES

Refer to note 21 to the consolidated financial statements and the accounting policies on pages 75 to 83.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group's accounts receivables amounted to approximately RMB32,467,000, net of accumulated impairment losses of approximately RMB8,990,000, representing 9.6% of the Group's total assets. Loss allowance for accounts receivables is estimated based on lifetime expected credit losses ("ECL") model, which is estimated by taking into account the credit loss experience and forward looking information including both current and forecast general economic conditions. We have identified valuation of accounts receivables as a key audit matter because the impairment assessment of accounts receivables involved a significant degree of management estimation and may be subject to management bias.	Our audit procedures were designed to assess the assumptions and judgements of the Group's ECL model on impairment assessment of accounts receivables. We have assessed the reasonableness of management's estimates for loss allowance by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward looking information. We have also inspected cash received from debtors after year end relating to accounts receivables balance as at 31 December 2019 on a sample basis.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion in those statements on 22 March 2019.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE 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 HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee 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 solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and our agreed terms of engagements, 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 HKSAs 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 HKSAs, we exercise professional judgment 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 of the Company.

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

(Continued)

- Conclude on the appropriateness of the Company's 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 the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Wing Kit.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
20 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	**240,819**	167,367
Cost of sales		**(109,844)**	(82,476)
Gross profit		**130,975**	84,891
Other income and gains	9	**5,110**	4,910
Selling and distribution expenses		**(15,964)**	(15,645)
Administrative and other operating expenses		**(46,394)**	(33,892)
Impairment loss on accounts and other receivables, net of reversal	10	**(85)**	(1,705)
Profit before taxation		**73,642**	38,559
Income tax expense	11	**(9,068)**	(4,955)
Profit for the year	12	**64,574**	33,604
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		**2,845**	698
Total comprehensive income for the year		**67,419**	34,302
Profit for the year attributable to:			
Owners of the Company		**59,367**	28,820
Non-controlling interests		**5,207**	4,784
		64,574	33,604
Total comprehensive income for the year attributable to:			
Owners of the Company		**61,259**	29,284
Non-controlling interests		**6,160**	5,018
		67,419	34,302
Earnings per share (RMB cents):	15		
Basic		**8.48**	4.12
Diluted		**8.48**	4.12

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**17,854**	17,420
Intangible asset	18	**14,681**	14,681
Financial asset at fair value through other comprehensive income	19	**8,311**	4,749
Pledged bank deposits	23	**482**	—
Deferred tax assets	20	**2,862**	4,456
		44,190	41,306
Current assets			
Accounts receivables	21	**32,467**	18,300
Prepayment, deposits and other receivables	22	**7,903**	11,375
Financial assets at fair value through profit or loss	19	**35,122**	30,188
Tax recoverable		**1,057**	214
Pledged bank deposits	23	**1,575**	—
Cash and cash equivalents	23	**214,840**	160,693
		292,964	220,770
Current liabilities			
Accounts payables	24	**1,209**	2,264
Accruals and other payables	25	**42,128**	28,280
Contract liabilities	26	**50,337**	50,830
Amounts due to related parties	27	**3,408**	5,251
Income tax payable		**5,146**	2,889
		102,228	89,514
Net current assets		**190,736**	131,256
Net assets		**234,926**	172,562

	Note	2019 RMB'000	2018 RMB'000
Equity			
Share capital	28	**70,000**	70,000
Reserves		**133,964**	77,760
Total equity attributable to owners of the Company		**203,964**	147,760
Non-controlling interests		**30,962**	24,802
Total equity		**234,926**	172,562

The consolidated financial statements on pages 63 to 135 were approved and authorised for issue by the board of directors of the Company on 20 March 2020 and are signed on its behalf by:

Ms. Xia Lin	**Mr. Sun Huifeng**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share Capital RMB'000	**Capital reserve (Note (a))** RMB'000	**Statutory reserve (Note (b))** RMB'000	**Investment revaluation reserve (Note (c))** RMB'000	**Retained profits** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2018	70,000	18,100	13,545	1,371	25,470	128,486	23,134	151,620
Profit for the year	—	—	—	—	28,820	28,820	4,784	33,604
Other comprehensive income for the year	—	—	—	464	—	464	234	698
Total comprehensive income for the year	—	—	—	464	28,820	29,284	5,018	34,302
Appropriation of statutory reserve	—	—	2,910	—	(2,910)	—	—	—
Dividends recognised as distribution (Note 16)	—	—	—	—	(10,010)	(10,010)	(3,350)	(13,360)
At 31 December 2018	70,000	18,100	16,455	1,835	41,370	147,760	24,802	172,562
Profit for the year	**—**	**—**	**—**	**—**	**59,367**	**59,367**	**5,207**	**64,574**
Other comprehensive income for the year	**—**	**—**	**—**	**1,892**	**—**	**1,892**	**953**	**2,845**
Total comprehensive income for the year	**—**	**—**	**—**	**1,892**	**59,367**	**61,259**	**6,160**	**67,419**
Appropriation of statutory reserve	**—**	**—**	**3,607**	**—**	**(3,607)**	**—**	**—**	**—**
Dividends recognised as distribution (Note 16)	**—**	**—**	**—**	**—**	**(5,055)**	**(5,055)**	**—**	**(5,055)**
At 31 December 2019	**70,000**	**18,100**	**20,062**	**3,727**	**92,075**	**203,964**	**30,962**	**234,926**

Note:

a) The capital reserve account can only be used to increase share capital.

b) According to the PRC Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

c) As at 31 December 2019 and 2018, the investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at Financial asset at fair value through other comprehensive income.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax for the year	**73,642**	38,559
Adjustments for:		
Depreciation of property, plant and equipment	**1,272**	1,584
Loss on written off of property, plant and equipment	**13**	—
Dividend income	**—**	(350)
Impairment loss on accounts receivables and other receivables	**85**	1,705
Interest income	**(2,031)**	(2,155)
Investment income arising from financial assets at fair value through profit or loss	**(1,748)**	(1,199)
Fair value loss (gain) from financial assets at fair value through profit or loss	**66**	(20)
	71,299	38,124
Operating cash flows before movements in working capital		
Increase in accounts receivables	**(14,219)**	(4,346)
Decrease (increase) in prepayment deposits and other receivables	**3,439**	(1,369)
(Decrease) increase in accounts payables	**(1,055)**	1,186
Increase in accruals and other payables	**13,848**	8,151
(Decrease) increase in contract liabilities	**(493)**	11,668
Increase (decrease) in amount due to related parties	**1,157**	(712)
Cash generated in operations	**73,976**	52,702
Income taxes paid	**(6,792)**	(5,807)
NET CASH FROM OPERATING ACTIVITIES	**67,184**	46,895
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	**(99,000)**	(60,000)
Purchase of property, plant and equipment	**(1,719)**	(1,077)
Proceeds from redemption of financial assets at fair value through profit or loss	**94,000**	100,000
Placement of pledged bank deposits	**(2,057)**	—
Interest received	**2,031**	2,155
Investment income from financial assets at fair value through profit or loss	**1,748**	1,199
Dividend received	**—**	350

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(4,997)**	42,627
FINANCING ACTIVITIES		
Advanced from immediate holding company	**2,765**	—
Repayment to immediate holding company	**(5,765)**	(1,617)
Dividends paid	**(5,040)**	(13,360)
NET CASH USED IN FINANCING ACTIVITIES	**(8,040)**	(14,977)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**54,147**	74,545
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**160,693**	86,148
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**214,840**	160,693

1. GENERAL

CCID Consulting Company Limited (the "Company") registered in the People's Republic of China (the "PRC") as a joint stock company with limited liability and its H shares listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 8235) since 12 December 2002.

The Company's immediate parent company is Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Industry Development (China Software Testing Center) ("MIICMD"), a company established in the PRC and the Company's ultimate parent is China Center of Information Industry Development ("CCID"), a company established in the PRC and the ultimate controlling party is the Government of PRC.

The address of the registered office of the Company is Room 311, No.2 Building, No. 28 Zhen Xing Road, Chang Ping District, Beijing, PRC. Its principal place of business is located at 9th and 10th Floor of CCID Plaza, 66 Zizhuyuan Road, Hai Dian District, Beijing, PRC. Its principal place of business in Hong Kong is located at 40th Floor Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are the provision of management and strategic consultancy, market consultancy, data information design, training courses and subscription to information system and information engineering supervision services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries.

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

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in Note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term less than 12 months as at 1 January 2019 as short-term leases.

There is no material impact on figures on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements upon adoption of HKFRS 16.

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

Impacts on adoption of HKFRS 16 Leases (Continued)

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business [4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

[1] Effective for annual periods beginning on or after 1 January 2020.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible asset

Intangible asset with indefinite useful life that is acquired separately is measured at initial recognition at cost. After initial recognition, intangible asset with indefinite useful life is measured at cost less any subsequent accumulated impairment losses, if any.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position are measured at initial recognition at cost and subsequently measured at cost less accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Depreciation is recognised so as to allocate their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following residual value rates and estimated useful lives are used for the depreciation of property, plant and equipment.

	Estimated useful lives
Ownership interests in leasehold and buildings	30 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Impairment on tangible assets and intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of 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 the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible assets and intangible asset (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit loss ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income and gains" line item (Note 9).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The interest earned on the financial assets is included in the "Investment income" under "Other income and gains" line item. Fair value is determined in the manner described in Note 6.

In respect of the Group's equity instruments at FVTPL, the Group subsequently measures them at fair value, with fair value gains and losses recognised in "Investment income". Dividends from equity instruments continue to be recognised in profit or loss as dividend income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Definition of default (Continued)

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Definition of default (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes sales related taxes.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. 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.

The Group recognised revenue from the following major sources:

- provision of management and strategic consultancy service
- provision of market consultancy service
- provision of information engineering supervision service
- others

Provision of management and strategic consultancy service and market consultancy service

Revenue from the provision of management and strategic consultancy service and market consultancy service is recognised at the point in time when the service for the transaction is completed under the terms of each contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Provision of information engineering supervision service

Revenue from provision of information engineering supervision service is recognised over the service period based on services provided as the customer simultaneously receives and consumes the services provided by the Group over the period in accordance with relevant terms of the agreement. The Group has the primary responsibility for providing the services to the customer or for fulfilling the order.

Provision of other services

Revenue from provision of data information design services and training courses services is recognised at the point in time when the service for the transaction are completed under the terms of each engagement and the revenue can be measured reliable as only that time the Group has a present right to payment for services performed.

Revenue from the provision of subscription to information system is recognised at the point of time or over time which corresponds to its respective performance obligations as the customer simultaneously receives and consumes the services provided by the Group over the period in accordance with relevant terms of the agreement.

Contract costs

Since the amortisation period of the incremental costs of obtaining a contract would be one year or less, the Group has applied practical expedient to recognise the incremental costs of obtaining a contract as expenses when incurred.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period which it is incurred.

Leasing (Accounting Policy applicable on or after 1 January 2019)

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Accounting Policy applicable prior 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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 Group's most senior executive management 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.

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

4. CRITICAL ACCOUNTING JUDGEMENTS KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Assessment of the indefinite useful life of intangible asset

Management estimates the useful life of digital management platform based on the expected useful life of the digital management platform. Digital management platform is considered by the management of the Group as having indefinite useful life because the Group relies on information provided by the digital management platform to make profits, and the Group has to maintain the digital management platform and to update its data in the foreseeable future. In addition, the digital management platform could be prolonged indefinitely on the condition that it was under ongoing maintenance and data update which corresponds to the present situation and long-term development orientation of the Group.

The useful life of digital management platform could change significantly as a result of changes in commercial and technological environment. When the actual useful life of digital management platform is different from its estimated useful life due to change in commercial and technological environment, such difference will impact the amortisation charges and the amounts of assets written down for future periods. As at 31 December 2019, the carrying amount of digital management platform with indefinite useful life is approximately RMB14,681,000 (2018: RMB14,681,000).

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

No deferred tax asset has been recognised on the tax losses of approximately RMB3,184,000 (2018: RMB2,662,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

ECL of accounts receivable

The impairment provisions for accounts receivable are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 December 2019, the carrying amount of accounts receivables was approximately RMB32,467,000 (2018: approximately RMB18,300,000), net of accumulated loss allowance for ECL of accounts receivables approximately RMB8,990,000 (2018: approximately RMB10,904,000).

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives, after taking into account their residual values. The determination of useful lives and residual values involve management's estimated based on experience about the economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses annual residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changes in the future period.

As at 31 December 2019, the carrying amount of property, plant and equipment were approximately RMB17,854,000 (2018: approximately RMB17,420,000), net of accumulated impairment losses amounted nil (2018: nil).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of net debt, which includes total liabilities and proposed final dividend less amounts due to related parties, and equity attributable to owner of the Company, comprising total equity less proposed final dividend.

The Group's audit committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 50% determined as the proportion of net debt to equity. Based on the committee's recommendations, the Group expects to increase its gearing ratio closer to 50% through the payment of dividends.

5. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio at the end of the reporting period was as follows:

	2019 RMB'000	2018 RMB'000
Total liabilities	**102,228**	89,514
Add: Proposed final dividend	**10,010**	5,040
Less: Amount due to immediate holding company	**(2,121)**	(5,121)
Net debt	**110,117**	89,448
Total equity	**234,926**	172,562
Less: Proposed final dividend	**(10,010)**	(5,040)
Equity	**224,916**	167,522
Net debt to equity ratio	**49%**	53%

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**255,505**	189,056
Financial assets at FVTOCI — Equity instruments designated at FVTOCI	**8,311**	4,749
Financial assets at FVTPL — Financial assets measured at FVTPL	**35,122**	30,188
	298,938	223,993
Financial liabilities		
Financial liabilities at amortised cost	**40,070**	31,332

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, accounts receivables, deposits and other receivables, financial assets at FVTPL, cash and bank balances, accounts payables, accruals and other payables and amounts due to related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

It is the Group's policy for each group entity to operate in local currencies as far as possible to minimise currency risks. Almost all of the Group's principal businesses are conducted in RMB which is also the functional currency of the respective entities of the Group, with small amounts of bank deposits denominated in foreign currency. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the Group for the year. Accordingly, no sensitivity analysis on currency risk was presented.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank secured deposits (Note 23) and interest rate linked structural deposits (Note 19). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances and 3 months United States Dollar London Interbank Borrowing Rate ("USD3M-LIBOR") arising from the Group's interest rate linked structural deposits.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point (2018: 10 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis point (2018: 10 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would increase/decrease by approximately RMB31,000 (2018: approximately RMB26,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable rate bank balances.

(iii) Other price risk

The Group was exposed to other price risk in relation to its listed equity instruments. The directors of the Company considered the Group's exposure to other price risk on these instruments was insignificant. Accordingly, no other price risk sensitivity analysis is presented.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash and bank balances, pledged bank deposits, interest rate linked structural deposits, accounts receivables and deposits and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

For accounts receivables, the Group classifies all its customers to whom credit terms are granted into two categories. Those customers who had not overdue records are classified as Low-Risk Customers. Those customers who had overdue records are classified as High-Risk Customers. Customers of the same category are grouped together to measure the expected credit loss on collective basis.

The management reviews the categories of customers from time to time or at the time when the credit risk is significantly increased since initial recognition. The credit risk of a customer will increase significantly when the contractual payments are more than 365 days (2018: 365 days) past due. A trade debt will be regarded as credit-impaired if, having served repetitive reminders, the customer still fails to settle the trade debt. If, having taken all reasonable recovery actions such as civil claim or via collection agency, the customer still fails to settle a trade debt, the trade debt will be regarded as default. It is the Group's policy to write-off credit impaired trade debts either in whole or in part by reference to ageing analysis and defaulted trade debts in full at each reporting date.

The Directors determine concentration of credit risk based on the size of project, credit limit and credit terms.

The Group usually requires customer to pay deposits before commencement of work. Progress billings will be served to customer based on the progress of the projects. In the opinion of the Directors, the concentration of credit risk is moderate. As at 31 December 2019 and 2018, no single customers or a group of customers contribute more than 10% of the revenue. Nevertheless, the Directors still review the aged receivable on regular basis in order to avoid apparent concentration of credit risk.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

— internal credit rating

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Company and changes in the operating results of the borrower

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The credit quality of the Group's financial assets and maximum exposure to credit risk by credit rating grades are disclosed in their respective notes.

Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are non-interest bearing and their maturity dates are repayable on demand or due within one year from the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets of the Group at fair value in the consolidated statement of financial position are grouped into fair value hierarchy as follows:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation Technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
		31/12/2019 RMB'000	31/12/2018 RMB'000			
Financial assets at FVTOCI — unlisted equity investment	Level 3	**8,311**	4,749	2019: Market approach adopted. The value is based on price-to-book ratio (P/B ratio), adjusted by discount for lack of marketability ("DLOM") (2018: Assets based method)	2019: P/B ratio: 2.07 DLOM: 27.75% (2018: P/B ratio: 1.85, DLOM: 27.75%)	The higher the P/E ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note)
Financial assets at FVTPL						
— equity securities listed in the PRC	Level 1	**122**	188	Quoted bid price in an active market	N/A	N/A
— debt instruments: interest rate linked structural deposits	Level 2	**35,000**	30,000	Fair value quoted by the relevant bank	N/A	N/A

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Note:

A 5% increase in P/B ratio used in isolation would result in an increase in fair value measurement of unlisted equity investment at FVTPL by approximately RMB420,000 (2018: approximately RMB235,000) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investment at FVTPL by approximately RMB161,000 (2018: approximately RMB90,000) and vice versa.

Reconciliation of Level 3 fair value measurements of financial asset:

	2019 RMB'000	2018 RMB'000
Equity instruments at FVTOCI		
At the beginning of the year	**4,749**	4,051
Changes in fair value recognised in OCI	**3,562**	698
At the end of the year	**8,311**	4,749

The above total change in fair value for the year ended 31 December 2019 of approximately RMB3,562,000 (2018: RMB698,000) is included in investment revaluation reserve.

7. REVENUE

Revenue mainly represents revenue arising from provision of management and strategic consultancy services, market consultancy services and information engineering supervision services for the year. An analysis of the Group's revenue for the year is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
— Provision of management and strategic consultancy services	**115,829**	78,856
— Provision of market consultancy services	**21,336**	10,383
— Provision of information engineering supervision services	**89,442**	76,100
— Others	**14,212**	2,028
	240,819	167,367

7. REVENUE (Continued)

	2019 RMB'000	2018 RMB'000
Disaggregation of revenue from contracts with customers by:		
(i) Timing of revenue recognition		
At a point in time	**150,730**	90,708
Over time	**90,089**	76,659
Total revenue from contracts with customers	**240,819**	167,367

Transaction price allocated to the remaining performance obligations

As at 31 December 2019, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied or partially satisfied) is RMB84,636,000 (2018: RMB72,666,000. The amount mainly represents revenue expected to be recognised in the future from information engineering supervision services. The group will recognise this revenue over the next 18 months (2018: next 18 months).

8. SEGMENT INFORMATION

Descriptive information about the Group's reportable segments

The Group's operating segments are structured and managed separately, according to the nature of their operations and the products and services they provide. Each operating segment represents a strategic business unit that provides services which are subject to risks and returns that are different from those of other operating segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker (the "CODM"), which is the executive director, for the purpose of resource allocation and performance assessment, the Group has presented the following three reportable segments. All of their respective reported revenue and absolute amount of reported profit or loss exceed the 10% threshold prescribed by HKFRS 8: Operating Segment.

- the management and strategic consultancy services segment provides services involving the application and implementation of enterprise management information digitalisation. This incorporates the functions of business process re-engineering, enterprise resource planning, customer relationship management, supply chain management, call centre and other electronic business pattern designs, marketing, brand name promotion, public relationship and advertising;

- the market consultancy services segment provides two kinds of services: standard research on specific sectors and tailor-made research; and

- the information engineering supervision services segment provides information engineering supervision services to undertaken projects.

8. SEGMENT INFORMATION (Continued)

In addition, the Group has provision of data information design services segment and training services segment whose scale of operation do not meet quantitative thresholds of reportable segments. Provision for data information design services and training services segment have been included in other segments.

Segment revenue and result

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

For the year ended 2019

	Management and strategic consultancy services RMB'000	Market consultancy services RMB'000	Information engineering supervision services RMB'000	Others RMB'000	Total RMB'000
Segment revenue	115,829	21,336	89,442	14,212	240,819
Intra-segment sales	4,065	—	68	1,509	5,642
	119,894	21,336	89,510	15,721	246,461
Eliminations					(5,642)
Group revenue					240,819
Segment profit	57,022	15,215	50,899	7,839	130,975
Unallocated income					5,110
Unallocated expenses					(62,443)
Profit before taxation					73,642

8. SEGMENT INFORMATION (Continued)

Segment revenue and result (Continued)

For the year ended 2018

	Management and strategic consultancy services RMB'000	Market consultancy services RMB'000	Information engineering supervision services RMB'000	Others RMB'000	Total RMB'000
Segment revenue	78,856	10,383	76,100	2,028	167,367
Intra-segment sales	9,323	—	—	323	9,646
	88,179	10,383	76,100	2,351	177,013
Eliminations					(9,646)
Group revenue					167,367
Segment profit	39,472	6,177	39,106	136	84,891
Unallocated income					4,910
Unallocated expenses					(51,242)
Profit before taxation					38,559

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of other income and gains, selling and distribution expenses, administrative and other operating expenses and impairment loss on accounts and other receivables. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2019 RMB'000	2018 RMB'000
Management and strategic consultancy services	**19,075**	6,522
Market consultancy services	**4,559**	862
Information engineering supervision services	**7,972**	10,802
Others	**861**	114
Total segment assets	**32,467**	18,300
Unallocated assets	**304,687**	243,776
Consolidated assets	**337,154**	262,076

Segment liabilities

	2019 RMB'000	2018 RMB'000
Management and strategic consultancy services	**44,873**	35,886
Market consultancy services	**317**	690
Information engineering supervision services	**6,174**	15,629
Others	**182**	889
Total segment liabilities	**52,734**	53,094
Unallocated liabilities	**49,494**	36,420
Consolidated liabilities	**102,228**	89,514

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to operating segments other than property, plant and equipment, intangible asset, financial assets at FVTOCI, deferred tax assets, prepayment, deposits and other receivables, financial assets at FVTPL, tax recoverable and cash and cash equivalents; and

— all liabilities are allocated to operating segments other than accruals and other payables, amounts due to related parties and income tax payable.

8. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2019

	Management and strategic consultancy services RMB'000	Market consultancy services RMB'000	Information engineering supervision services RMB'000	Others RMB'000	Total RMB'000
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	849	153	619	98	1,719
Depreciation of property, plant and equipment	628	113	458	73	1,272
Written off of property, plant and equipment	12	1	—	—	13
Impairment loss on accounts and other receivables, net of reversal	34	4	47	—	85
Income tax expense	4,479	816	3,267	506	9,068

For the year ended 31 December 2018

	Management and strategic consultancy services RMB'000	Market consultancy services RMB'000	Information engineering supervision services RMB'000	Others RMB'000	Total RMB'000
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	978	—	99	—	1,077
Depreciation of property, plant and equipment	842	101	613	28	1,584
Impairment loss on accounts and other receivables, net of reversal	1,659	—	46	—	1,705
Income tax expense	2,632	318	1,917	88	4,955

Note: Non-current assets excluded financial assets at FVTOCI and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers presented based on the location of the operations is derived solely in PRC (country of domicile). Non-current assets of the Group presented based on the location of the assets are all located in PRC. As a result, geographical information has not been presented.

Information about major customers

During the years ended 31 December 2019 and 2018, there is no customer contributing over 10% of the total revenue of the Group.

9. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Interest income	2,031	2,155
Investment income	1,682	1,199
Dividend income	—	350
Government grant (Note)	1,009	1,085
Sundry income	388	121
	5,110	4,910

Note:

Government grants recognised as other income and gains are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

10. IMPAIRMENT LOSS ON ACCOUNTS AND OTHER RECEIVABLES, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Accounts receivables	**52**	1,659
Other receivables	**33**	46
	85	1,705

Note:

The reversal of impairment loss is due to settlement of long ageing receivables during the year.

11. INCOME TAX EXPENSE

(a) Income tax:

	2019 RMB'000	2018 RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	**8,191**	5,651
Deferred tax:		
— Current year	**877**	(696)
	9,068	4,955

Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the years ended 31 December 2018 and 2019, the Company and Beijing CCID Information Engineering Supervision Limited ("CCID Supervision"), a subsidiary of the Company, are high and new technology enterprises (the "HNTE") registered in Beijing New Technology Enterprise Development Zone. Pursuant to the Income Tax Law of PRC, they are subject to a corporate income tax at a rate of 15% (2018: 15%).

11. INCOME TAX EXPENSE (Continued)

(b) The tax charge for the years can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit before taxation	**73,642**	38,559
Tax at domestic income tax rate of 25%	**18,411**	9,640
Preferential tax rate granted to HNTE	**(7,543)**	(3,688)
Tax effect of super deduction of research and development expenses	**(1,901)**	(1,020)
Tax effect of expenses not deductible for tax purpose	**233**	568
Tax effect of tax loss not recognised	**131**	84
Utilisation of tax losses previously not recognised	**(263)**	(629)
Income tax expense	**9,068**	4,955

12. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging:		
Directors', supervisors' and general manager's emoluments (Note 13)	**2,626**	1,903
Staff costs (excluding directors', supervisors' and general manager's emoluments)		
— Salaries, wages, allowances and other benefits	**94,712**	72,111
— Contributions to retirement benefits scheme	**17,539**	16,719
Total staff costs	**114,877**	90,733
Auditor's remuneration	**800**	420
Depreciation of property, plant and equipment	**1,272**	1,584
Loss on written off property, plant and equipment	**13**	—
Minimum lease payments paid under operating lease in respect of rental office premises	**—**	1,221
Research and development costs	**19,498**	15,372
Rental expenses on short term leases in respect of rental office premises	**1,234**	—

Note:

The research and development expenses disclosed here included salaries, allowances and other staff benefits of approximately RMB12,675,000 (2018: RMB10,500,000), and contributions to retirement benefits scheme of approximately RMB3,323,000 (2018: RMB2,112,000) for the year ended 31 December 2019 which had been included in total staff cost disclosed above.

13. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER EMOLUMENTS

The emoluments paid or payable to each of the 10 (2018: 9) directors, supervisors and general manager were as follows:

For the year ended 31 December 2019

	Fees (i) RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses (ii) RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Emoluments paid or receivable in respect of director's other service in connection with the management affairs of the Company or its subsidiary undertaking					
Executive directors					
Xia Lin[1]	43	—	—	—	43
Zhao Zeming[2]	18	—	140	—	158
Emoluments paid or receivable in respect of a person's services as a director/ supervisor of the Company or its subsidiary undertaking					
Non-executive directors					
Sun Huifeng[3]	25	—	—	—	25
Luo Junrui[4]	—	—	—	—	—
Independent non-executive directors					
Guo Xinping	57	—	—	—	57
Li Xuemnei	57	—	—	—	57
Xia Yinan[5]	10	—	—	—	10
Chen Yongcheng[6]	35	—	—	—	35
Supervisors					
Ma Xin[7]	21	177	42	83	323
Chen Ying	—	—	—	—	—
Lian Jing[8]	2	253	103	87	445
Gong Ping[9]	26	—	—	—	26
	294	430	285	170	1,179
Emoluments paid or receivable in respect of a person's services in connection with the management affairs of the Company or its subsidiary undertaking					
General manager					
Sun Huifeng	—	678	643	126	1,447
	294	1,108	928	296	2,626

13. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER EMOLUMENTS (Continued)

For the year ended 31 December 2018

	Fees (i) RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses (ii) RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Emoluments paid or receivable in respect of director's other service in connection with the management affairs of the Company or its subsidiary undertaking					
Executive director					
Zhao Zeming	43	—	—	—	43
Emoluments paid or receivable in respect of a person's services as a director/ supervisor of the Company or its subsidiary undertaking					
Non-executive director					
Luo Junrui	—	—	—	—	—
Independent non-executive directors					
Guo Xinping	57	—	—	—	57
Li Xuemnei	57	—	—	—	57
Xia Yinan	57	—	—	—	57
Supervisors					
Xia Lin	43	—	—	—	43
Chen Ying	—	—	—	—	—
Ma Xin	12	208	38	82	340
	269	208	38	82	597
Emoluments paid or receivable in respect of a person's services in connection with the management affairs of the Company or its subsidiary undertaking					
General manager					
Sun Huifeng	—	684	497	125	1,306
	269	892	535	207	1,903

13. DIRECTORS', SUPERVISORS' AND GENERAL MANAGER EMOLUMENTS (Continued)

Notes:

(i) The emoluments represent the payments in respect of services as a director/in connection with management of the affairs of the Group.

(ii) Discretionary bonuses are paid depending on staff grading, individual performance and the profitability of the Group.

(1) Ms. Xia Lin was appointed as executive director on 20 May 2019.

(2) Mr. Zhao Zeming retired from his position as executive director of the Company with effect from 20 May 2019.

(3) Mr. Sun Huifeng was appointed as non-executive director on 20 May 2019.

(4) Mr. Luo Junrui retired from his position as non-executive director of the Company with effect from 20 May 2019.

(5) Mr. Xia Yinan retired from his position as independent non-executive director of the Company with effect from 20 May 2019.

(6) Mr. Chen Yongcheng was appointed as independent non-executive director on 20 May 2019.

(7) Ms. Ma Xin retired from her position as supervisor on 20 December 2019.

(8) Ms. Lian Jing was appointed as supervisor on 20 December 2019.

(9) Mr. Gong Ping was appointed as supervisor on 20 May 2019.

No directors of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2019 and 2018. No emoluments were paid by the Group to the directors of the Company as an incentive payment for joining the Group or as compensation, for loss of office during the years ended 31 December 2019 and 2018.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: one) was director whose emoluments are disclosed in Note 13 above. The emoluments of remaining four (2018: four) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**2,038**	1,958
Retirement benefits scheme contributions	**504**	500
Discretionary bonuses	**3,048**	2,162
	5,590	4,620

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
Within RMB1,000,000	**1**	3
RMB1,000,001 to RMB1,500,000	**3**	—
RMB2,000,001 to RMB2,500,000	**—**	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the years ended 31 December 2019 and 2018.

15. EARNINGS PER SHARE

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

	2019	2018
Profit for the year attributable to owners of the Company (RMB'000)	**59,367**	28,820
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**700,000**	700,000
Basic and diluted earnings per share (RMB cent)	**8.48**	4.12

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2019 and 2018.

16. DIVIDENDS

	2019 RMB'000	2018 RMB'000
2018 final dividend (Note a)	**5,055**	—
2017 final dividend (Note b)	—	10,010

Notes:

(a) Pursuant to the resolution of the shareholders meeting of 2018 on 20 May 2019, the Company distributed cash dividends of RMB0.72 cents per share (tax included) based on 700,000,000 shares held amounting to approximately RMB5,040,000 during the year ended 31 December 2019. The dividends were paid in Hong Kong Dollars amounted to approximately RMB5,055,000, including exchange difference of approximately RMB15,000.

(b) Pursuant to the resolution of the shareholders meeting of 2017 on 14 June 2018, the Company distributed cash dividends of RMB1.43 cents per share (tax included) based on 700,000,000 shares held amounting to approximately RMB10,010,000 during the year ended 31 December 2018.

Subsequent to the end of the reporting period, a final dividend of RMB1.43 cents (tax inclusive) for each share in respect of the year ended 31 December 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting on 12 June 2020.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 January 2018	32,819	3,927	1,402	38,148
Additions	—	1,077	—	1,077
At 31 December 2018	32,819	5,004	1,402	39,225
Additions	**—**	**1,719**	**—**	**1,719**
Written off	**—**	**—**	**(265)**	**(265)**
At 31 December 2019	**32,819**	**6,723**	**1,137**	**40,679**
Accumulated depreciation and impairment				
At 1 January 2018	16,310	2,613	1,298	20,221
Provided for the year	1,041	509	34	1,584
At 31 December 2018	17,351	3,122	1,332	21,805
Provided for the year	1,039	233	—	1,272
Eliminated on written off	—	—	(252)	(252)
At 31 December 2019	**18,390**	**3,355**	**1,080**	**22,825**
Net book values				
At 31 December 2019	**14,429**	**3,368**	**57**	**17,854**
At 31 December 2018	15,468	1,882	70	17,420

18. INTANGIBLE ASSETS

The intangible asset represent digital management platform which is stored in the computer system, which consists of domain names, electronic databases, computer software, data processing system and database management platform, used to offer assistance in providing customers with data content of consultation business. The Group relies on the digital management platform and the information provided by the intangible asset to earn subscription fees, as well as service charges of standard research reports, special research reports, and providing consultation on public relations.

The directors of the Company have intention and the ability to maintain the intangible asset in such a way that there is no foreseeable limit on the period over which that the intangible asset is expected to generate net cash inflows for the Group. The directors of the Company consider that the estimated useful life of the digital management platform is indefinite.

As the useful life of the intangible asset is indefinite, no amortisation is recognised, but it needs to be reviewed for impairment annually, whenever there is an indication that the intangible asset be impaired.

At 31 December 2019, the directors of the Company reviewed the recoverable amount of the intangible asset using the Relief from Royalty Valuation Method and adopted discounted cash flow analyses with long-term growth rate of 2.85% (2018: 2.55%) and discount factor of 12.90% (2018 13.70%). No impairment loss was recognised for the year ended 31 December 2019 and 2018 as the recoverable amount of the intangible asset is more than the carrying amount for both years.

19. FINANCIAL ASSETS AT FVTOCI/FVTPL

	2019 **RMB'000**	2018 RMB'000
Unlisted equity investment at FVTOCI (Note (i))	**8,311**	4,749
Financial assets measured at FVTPL:		
Financial assets held for trading — equity securities listed in the PRC	**122**	188
Debt instruments at FVTPL (Note (ii))	**35,000**	30,000
	35,122	30,188
	43,433	34,937
Analysed for reporting purposes as:		
Non-current assets at FVTOCI	**8,311**	4,749
Current assets at FVTPL	**35,122**	30,188
	43,433	34,937

19. FINANCIAL ASSETS AT FVTOCI/FVTPL (Continued)

Notes:

(i) The unlisted equity investment represents investment in 19.9% equity interests in Beijing CCID Exhibition Co. Ltd. by CCID Supervision.

The above unlisted equity investment is not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investment in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investment for long-term purpose and realizing their performance potential in long run.

(ii) The debt instruments at FVTPL as at 31 December 2019 represents an interest rate linked structured deposits in the aggregate amount of RMB35,000,000 with maturity date on 15 May 2020.

The debt instruments at FVTPL as at 31 December 2018 represents interest rate linked structured deposits in the aggregate amount of RMB30,000,000 with maturity date on 23 April 2019.

As at 31 December 2019 and 2018, the directors consider the fair value of the interest rate linked structured deposits approximate their carrying values.

20. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets	**2,862**	4,456

20. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Credit loss allowances and impairment of assets RMB'000	Accruals and other temporary differences RMB'000	Fair value change of financial assets at FVTOCI RMB'000	Fair value change of financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2018	1,315	2,012	—	27	3,354
Charge (credit) to profit or loss	248	451	—	(3)	696
Charge to other comprehensive income	—	—	406	—	406
At 31 December 2018 and 1 January 2019	**1,563**	**2,463**	**406**	**24**	**4,456**
Credit to profit or loss	**(282)**	**(581)**	**—**	**(14)**	**(877)**
Credit to other comprehensive income	**—**	**—**	**(717)**	**—**	**(717)**
At 31 December 2019	**1,281**	**1,882**	**(311)**	**10**	**2,862**

At the end of reporting period, the Group has unused tax losses of approximately RMB3,184,000 (31 December 2018: RMB2,660,000) available for offset against future profits. No deferred tax asset has been recognised in respect of approximately RMB3,184,000 (31 December 2018: RMB2,660,000) due to the unpredictability of future profit streams.

Included in unrecognised tax losses are loss of the Group of approximately RMB612,000, RMB865,000, RMB967,000, RMB85,000 and RMB655,000 will be expired in 2020, 2021, 2022, 2023 and 2024 respectively. (2018: RMB131,000, RMB612,000, RMB865,000, RMB967,000 and RMB85,000 will be expired in 2019, 2020, 2021, 2022 and 2023 respectively).

21. ACCOUNTS RECEIVABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Receivables at amortised cost comprise:		
Accounts receivables	**41,457**	29,204
Less: allowance for impairment of accounts receivables	**(8,990)**	(10,904)
Net accounts receivables	**32,467**	18,300

At as 31 December 2019, the gross amount of accounts receivable arising from contracts with customers amounted to RMB41,457,000 (2018: RMB29,204,000).

The Group allows an average credit period of 60 to 365 days to its trade customers. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon clients' request. The following is an aged analysis of accounts receivables, presented based on the invoice dates at the end of the reporting period:

	Related parties RMB'000	Third parties RMB'000	Total RMB'000
2019			
0 to 60 days	**150**	**21,629**	**21,779**
61 to 180 days	**—**	**2,386**	**2,386**
181 to 365 days	**—**	**3,169**	**3,169**
More than 365 days	**6**	**5,127**	**5,133**
	156	**32,311**	**32,467**
2018			
0 to 60 days	1,062	8,811	9,873
61 to 180 days	—	2,378	2,378
181 to 365 days	—	2,065	2,065
More than 365 days	200	3,784	3,984
	1,262	17,038	18,300

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.

21. ACCOUNTS RECEIVABLES (Continued)

Amounts due from related parties are analysed as follows:

Name of related parties	2019 RMB'000	2018 RMB'000
CCID Network Information Technology Co., Ltd.* ("CCID NIT") ("北京賽迪網信息技術有限公司")	6	—
CCID Industrial and Information Development (Tianjin) Co., Ltd.* ("Tianjin CCID") ("賽迪工業和信息化產業發展(天津)有限公司")	150	—
CCID	—	1,262
Total	156	1,262

* The English translation is for identification only

The above related parties are controlled by CCID. The amounts due from related parties are unsecured, interest-free and repayable on demand.

The Group measures lifetime expected credit losses based on the categories of customers, expected credit loss rates and ageing analysis of gross carrying amount. Expected loss rates are determined by reference to historical data over the past 2 years (2018: 2 years) adjusted with the credit quality of individual customers, current economic conditions and the forecast economic conditions over the expected lives of the trade receivables. In view of the macroeconomic in PRC show no material unfavourable factors to the customers of the Group, the management does not expect significant credit loss due to credit curtailment. There are no changes in the estimation techniques or significant assumptions made during the year from preceding reporting period.

21. ACCOUNTS RECEIVABLES (Continued)

The Group recognised lifetime ECL for accounts receivables based on ageing of customers collectively that are not individually significant as follows:

As at 31 December 2019	Weight average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Low-risk Customers			
Not past due	0%	7,682	—
High-Risk Customers			
Not past due	0%	—	—
1–60 days past due	0%	17,645	—
61–365 days past due	0%	4,892	—
Over 365 days past due	80%	11,238	8,990
		41,457	8,990

As at 31 December 2018	Weight average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Low-risk Customers			
Not past due	0%	5,897	—
High-Risk Customers			
Not past due	0%	—	—
1–60 days past due	0%	6,251	—
61–365 days past due	0%	3,473	—
Over 365 days past due	80%	13,583	10,904
		29,204	10,904

21. ACCOUNTS RECEIVABLES (Continued)

The movement in the allowance for impairment of accounts receivables is set out below:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**10,904**	9,245
Impairment recognised on accounts receivables, net of reversal	**52**	1,659
Amount written off as uncollectible	**(1,966)**	—
At the end of the year	**8,990**	10,904

The Group writes off accounts receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the accounts receivables are over 2 years past due, whichever occurs earlier. The Group has taken legal action against the debtors to recover the amount due.

22. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepayments	**1,762**	1,312
Rental and other deposits	**210**	135
Other receivables	**5,964**	9,928
	7,936	11,375
Less: allowance for impairment of other receivables	**(33)**	—
Net other receivables	**7,903**	11,375

As at 31 December 2019, the Group classifies all other receivables in gross amount of approximately RMB5,964,000 (2018: RMB9,928,000) in Stage 1, and measures the loss allowance equal to 12-month ECL amounting to approximately RMB33,000 (2018: nil).

22. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES (Continued)

The movement of impairment of other receivables is set out below:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	—	—
Impairment recognised on other receivables	33	46
Amount written off as uncollectible	—	(46)
At the end of the year	33	—

23. CASH AND CASH EQUIVALENTS

Pledged bank deposits

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB482,000 at 31 December 2019 (31 December 2018: nil) have been pledged to secured banking facilities and mature after one year are therefore classified as non-current assets. The remaining deposits amounting to approximately RMB1,575,000 at 31 December 2019 (31 December 2018: nil) have been pledged to secured banking facilities mature within one year and are therefore classified as current assets. The pledged deposits carry fixed interest rate of 0.00% to 2.78% (31 December 2018: nil) per annum.

Cash and cash equivalents

The bank balances and cash comprised cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances at 31 December 2019 carried interest at the prevailing market rate ranging from 0.01% to 0.35% (2018: 0.01% to 0.35%). The Group's bank balances and cash denominated in RMB amounted to approximately RMB214,840,000 (2018: approximately RMB160,693,000) in 31 December 2019.

24. ACCOUNTS PAYABLES

Accounts payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers were stipulated in the relevant contracts and the payables were usually due for settlement from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is the aged analysis of accounts payables presented based on the invoice date at the end of the reporting period:

	Related parties RMB'000	Third parties RMB'000	Total RMB'000
2019			
Within 30 days	**104**	**149**	**253**
Over 365 days	**882**	**74**	**956**
Total	**986**	**223**	**1,209**
2018			
Within 30 days	—	1,328	1,328
Over 365 days	882	54	936
Total	882	1,382	2,264

Amount due to related parties are analysed as follows:

	2019 RMB'000	2018 RMB'000
Name of related parties		
CCID Property Management Co., Ltd.* ("CCID Property") ("北京賽迪物業管理有限公司")	**104**	—
Beijing CCID Guo Ruan Certification Co., Ltd ("北京賽迪國軟認證有限公司")	**882**	882
Total	**986**	882

* The English translation is for identification only

The Group and the related parties are within the CCID Group and are under common control of the same ultimate holding company. Amounts due to related parties are unsecured, interest-free and repayable on demand.

25. ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Accrued salaries and welfares	**27,588**	17,130
Provision for social insurance fees and the public housing funds	**3,662**	2,587
Other tax payables	**6,675**	4,463
Other payables	**4,203**	4,100
	42,128	28,280

26. CONTRACT LIABILITIES

Contract liabilities represents advances received from customer for unsatisfied or partially satisfied service contracts.

Information about the significant payment terms of the revenue from contracts with customers is set out below.

Type of revenue	Significant payment terms	Other terms
Management and strategic consultancy, market consultancy and others	By milestone payments per agreed terms at contract inception, delivery of first draft, revised draft and final report upon acceptance	No
Information engineering supervision	By milestone payments per agreed terms at contract inception, project implementation, progress acceptance and final acceptance check upon completion	Few contracts contain retention period clause

Revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year is RMB11,757,000 (2018: RMB2,135,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

27. AMOUNTS DUE TO RELATED PARTIES

	2019 RMB'000	2018 RMB'000
MIICMD	**2,121**	5,121
CCID IT Co., Ltd* ("賽迪時代資訊產業股份有限公司") ("CCID IT")	**150**	130
CCID Testing and Certification Center Co., Ltd.* (China) ("CCID TCC") ("賽迪檢測認證中心有限公司")	**25**	—
CCID Information Industry (Group) Co., Ltd.* ("賽迪資訊產業(集團)有限公司")	**50**	—
Tianjin CCID	**1,000**	—
CCID NIT	**6**	—
Beijing CCID Information Physics System Evaluation Engineering Technology Center Co., Ltd.* ("北京賽迪資訊物理系統測評工程技術中心有限公司")	**56**	—
	3,408	5,251

* The English translation is for identification only

Notes:

(a) The amount due to the immediate holding company at 31 December 2019 and 31 December 2018 included the balance payable for the acquisition of the ninth and tenth floors of CCID Plaza. The balance payable is interest-free and payable in accordance with the terms of the relevant property purchase agreement.

(b) The amounts due to other related companies in CCID Group and under common control of the same ultimate holding companies are unsecured, interest-free and have no fixed terms of repayment.

28. SHARE CAPITAL

Share capital of the Company as at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Registered, issued and fully paid ordinary shares of RMB0.1 each:		
— Ordinary shares	**70,000**	70,000
At the beginning and the end of the year	**70,000**	70,000

Note:

As at the end of reporting periods, the Company's issued shares are as follows:

	2019 '000	2018 '000
Domestic shareholders	**49,100**	49,100
H shareholders	**20,900**	20,900
At end of the year	**70,000**	70,000

Pursuant to chapter 7 of the Company's constitution, all of the holders of domestic shares, legal person shares and H shares are the ordinary shareholders of the Company; they bear the same rights and obligations. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meeting of the Company. All ordinary shares rank equally with regard to the Group's residual assets.

29. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

Transactions with the CCID Group	2019 RMB'000	2018 RMB'000
Gross revenue earned before sales surtaxes:		
Provision for consultancy services:		
CCID	—	400
Guangdong CCID Industrial and Information Research Center Co., Ltd.* ("Guangdong CCID") ("廣東賽迪工業和資訊化研究院有限公司")	300	210
Tianjin CCID	475	1,400
CCID South China Intelligent Manufacturing Innovation Center (Huizhou) Co., Ltd* ("賽迪華南智慧製造創新中心 (惠州) 有限公司")	500	180
	1,275	2,190
Provision for information planning and information engineering supervision services by:		
Guangdong CCID	12	—
Provision for information design and supervision services by:		
CCID	—	1,573
CCID Industrial and Information Technology Research Institute Group (Suzhou) Co. Ltd.* ("Suzhou CCID") ("賽迪工業和資訊化研究院集團 (蘇州) 有限公司")	1,084	—
	1,084	1,573
Administrative and promotion expenses:		
Rental, building management fee, internet fee and utilities fare charged by MIICMD	818	1,153
Allocation of administrative expenses by MIICMD (Note (iii))	2,367	3,363
Rental, building management fee charged by CCID Property	1,528	2,240
Translation expense charged by CCID Translation Technology Co., Ltd.* ("北京賽迪翻譯技術有限公司")	6	2
CCID Testing and Certification Center Co., Ltd.* (China) ("CCID TCC") ("賽迪檢測認證中心有限公司")	123	—
	4,842	6,758

29. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(a) Related parties of the Group (Continued)

Transactions with the CCID Group	2019 RMB'000	2018 RMB'000
Service fee paid for consulting services by:		
CCID	**580**	—
CCID NIT	**4**	—
	584	—
Service fee paid for information design and supervision services by:		
Suzhou CCID	**1,084**	—
Other service fee paid:		
Service fee paid to CCID NIT	**4**	100
Service fee paid to CCID IT	**300**	370
Service fee paid to CCID TCC	**123**	82
	427	552

(i) The directors of the Company are of their opinion that the above transactions with related parties were conducted in the usual course of business and, except for the sharing of administrative expenses mentioned in Note (iii) below which was charged at actual cost incurred, all others were charged at cost incurred plus a reasonable profit margin.

(ii) The Company and the related companies are within the CCID and are under common control of the same ultimate holding company.

(iii) The sharing of administrative expenses is allocated by MIICMD based on the actual usage of the Group and the actual costs incurred. This connected transaction fell within the exemption per 20.71(8) of the GEM Listing Rules and was fully exempted from shareholder's approval, annual review and all disclosure requirements pursuant to 20.96 of the GEM Listing Rules.

(b) Key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follow:

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**17,527**	15,268
Retirement benefit scheme contributions	**3,431**	3,321
	20,958	18,589

30. SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 20 November 2002. Pursuant to the share option scheme, the board of directors of the Company may, at its discretion, grant options to any full-time employees of the Group to subscribe for shares in the Company, to a maximum of 30% of the Company's H shares in issue from time to time. The exercise price will be determined by the Board of Directors, and will not be less than the highest of: (a) the closing price of the H shares as stated in the GEM's daily quotations sheet on the date of offer, which must be a business day; (b) the average closing prices of the H shares as stated in the GEM's daily quotation sheets for the five business days immediately preceding the date of offer; and (c) the nominal value of an H share. However, employees who are Chinese nationals in Mainland China shall not be entitled to exercise the option until the current restrictions on these persons for subscribing or dealing in H shares imposed by the laws and regulations in Mainland China have been amended or removed. At the end of reporting period, the share option scheme is not effective. Until 31 December 2019 and 2018, no options were granted to the Group's employees.

31. COMMITMENTS

The future minimum lease payments under non-cancellable operating lease in aggregate are analysed as follows:

	2019 **RMB'000**	2018 RMB'000
Acted as lease		
Within one year	**113**	63

The Group leases certain properties under operating leases. These leases typically run for an initial period of one year and with the option to renew the lease with all terms to be renegotiated. None of these leases include contingent rentals.

As at 31 December 2019, the Group is committed to short-term leases of certain properties amounted to approximately RMB113,000.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Group has no significant financing activities for the last year, accordingly the reconciliation of liabilities arising from financing activities is not necessary in this regard.

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

	Amounts due to immediate holding companies RMB'000
At 1 January 2018	6,738
Financing cash flows	(1,617)
At 31 December 2018 and 1 January 2019	**5,121**
Financing cash flows	**(3,000)**
At 31 December 2019	**2,121**

33. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ operation	Kind of legal entity	Registered and fully paid capital (RMB'000) 2019	Registered and fully paid capital (RMB'000) 2018	Proportion of ownership interest held by the Company 2019	Proportion of ownership interest held by the Company 2018	Principal activities
Beijing CCID Industry and Information Engineering Design Center Co., Ltd.* ("北京賽迪工業和信息化工程設計中心有限公司")	Beijing, PRC	Company with limited liability	**50,000**	50,000	**95%**	95%	Provision of data information and design consultancy services
CCID Supervision	Beijing, PRC	Company with limited liability	**10,000**	10,000	**66.5%**	66.5%	Provision of information engineering supervision and training services
Beijing CCID Capital Consulting Co., Ltd.* ("北京賽迪經智投資顧問有限公司")	Beijing, PRC	Company with limited liability	**500**	500	**99%**	99%	Provision for investment consultancy services
Beijing CCID Industrial Brain Technology Co., Ltd.* (formerly known as Beijing CCID Strategy Management Consulting Co., Ltd.) ("北京賽迪產業大腦科技有限公司") (前稱為"北京賽迪經略企業管理顧問有限公司")	Beijing, PRC	Company with limited liability	**5,000**	5,000	**99%**	99%	Provision for management consultancy services
Beijing CCID County Strategy Consulting Co., Ltd.* ("北京賽迪方略縣域經濟顧問有限公司")	Beijing, PRC	Company with limited liability	**5,000**	5,000	**90.1%**	90.1%	Provision for economic consultancy services

33. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Company		Principal activities
			2019	2018	**2019**	2018	
Shenzhen CCID Strategy Consulting Co., Ltd.* ("深圳賽迪方略諮詢顧問有限公司")	Shenzhen, PRC	Company with limited liability	**1,000**	1,000	**100%**	100%	Provision for management consultancy Services
CCID (Shanghai) Advanced Manufacturing Research Center Co., Ltd.* ("賽迪(上海)先進製造業研究院有限公司")	Shanghai, PRC	Company with limited liability	**5,000**	5,000	**100%**	100%	Provision for management consultancy Services

No subsidiary has non-controlling interests material to the Group.

All subsidiaries are directly held by the Company.

* The English translation is for identification only

34. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**17,336**	16,651
Interests in subsidiaries	33	**63,668**	63,668
Deferred tax assets		**3,409**	2,231
		84,413	82,550
Current assets			
Accounts receivables		**23,895**	11,821
Prepayment, deposits and other receivables		**976**	4,109
Amounts due from subsidiaries	(i)	**3,245**	—
Financial assets at fair value through profit or loss		**122**	188
Cash and cash equivalents		**137,058**	97,662
		165,296	113,780
Current liabilities			
Accounts payables	(i)	**149**	1,180
Accruals and other payables		**14,810**	8,122
Contract liabilities		**30,665**	30,018
Amounts due to related parties	(i)	**509**	4,777
Amounts due to subsidiaries	(i)	**—**	5,700
Income tax payable		**4,817**	1,145
		50,950	50,942
Net current assets		**114,346**	62,838
Net assets		**198,759**	145,388

34. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Notes	2019 RMB'000	2018 RMB'000
Equity			
Share capital	28	**70,000**	70,000
Reserves	(ii)	**128,759**	75,388
Total equity		**198,759**	145,388

Approved and authorised for issue by the board of directors of the Company on 20 March 2020 and are signed on its behalf by:

Ms. Xia Lin
Director

Mr. Sun Huifeng
Director

34. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(i) The amounts due from/to related parties and subsidiaries are unsecured, interest-free and payable on demand.

(ii) Movements in the Company's reserves

	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	18,100	14,360	34,876	67,336
Profit and total comprehensive income for the year	—	—	18,062	18,062
Appropriation of statutory reserve	—	2,059	(2,059)	—
Dividends recognised as distribution (Note 16)	—	—	(10,010)	(10,010)
At 31 December 2018	18,100	16,419	40,869	75,388
Profit and total comprehensive income for the year	**—**	**—**	**58,426**	**58,426**
Appropriation of statutory reserve	**—**	**3,607**	**(3,607)**	**—**
Dividends recognised as distribution (Note 16)	**—**	**—**	**(5,055)**	**(5,055)**
At 31 December 2019	**18,100**	**20,026**	**90,633**	**128,759**

34. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: (Continued)

In accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of profit distributions/dividends will be deemed to be the lesser of (i) the net profit determined in accordance with PRC accounting principles and financial regulations; and (ii) the net profit determined in accordance with Hong Kong Financial Reporting Standards.

35. RETIREMENT BENEFITS SCHEME

Employees of the subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the required contributions.

There were no forfeited contributions utilised to offset employees' contributions for the year. The employers' contributions which have been dealt with in the consolidated statements of profit or loss and other comprehensive income were as follows:

	2019 **RMB'000**	2018 RMB'000
Employers' contributions charged to the consolidated statements of profit or loss and other comprehensive income	**17,835**	16,926

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) Subscription of wealth management product

On 16 January 2020, the Company subscribed for a non-principal guaranteed wealth management product with floating interest income in an aggregate amount of RMB45,000,000. Details of the subscription are set out in the Company's announcement dated 16 January 2020.

(ii) Impact of novel Coronavirus in China

The wide spread of the novel Coronavirus in China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

37. COMPARATIVE FIGURES

(i) Salaries, wages, allowances and other benefits amounted to approximately RMB4,190,000 and RMB1,169,000 which had previously been recorded under "administrative and other operating expenses" in the consolidated statements of profit or loss, were reclassified to "cost of sales" and "selling and distribution expenses" respectively in order to consistently reflect the nature of the salaries, wages, allowances and other benefits related to costs of sales and selling and distribution activities.

(ii) Revenue previously recorded under "provision of management and strategic consultancy services", "provision of market consultancy services" and "provision of other services" were reclassified to under "provision of information engineering supervision services" in order to be consistent with the current year presentation.

Five-Year Financial Summary

The summary of the results of the Group for the past five financial years extracted from the published annual consolidated financial statements and restated in accordance with HKFRS 15 are as follow.

	Year ended 31 December				
	2015 RMB('000)	2016 RMB('000)	2017 RMB('000)	2018 RMB('000)	**2019 RMB('000)**
Turnover	130,920	138,661	134,546	167,367	**240,819**
Cost of sales	(63,160)	(71,692)	(70,091)	(82,476)	**(109,844)**
Gross profits	67,760	66,969	64,455	84,891	**130,975**
Profit before taxation	23,452	23,177	23,083	38,559	**73,642**
Taxation	(3,536)	(3,414)	(4,113)	(4,955)	**(9,068)**
Profit for the year	19,916	19,763	18,970	33,604	**64,574**
Attributable to:					
Equity holders of the Company	15,318	16,182	16,406	28,820	**59,367**
Non-controlling interests	4,598	3,581	2,564	4,784	**5,207**
	19,916	19,763	18,970	33,604	**64,574**

The summary of the assets and liabilities of the Group at the reporting date of last five financial years extracted from its published annual consolidated financial statements and restated in accordance with HKFRS 15 are as follow.

	As at 31 December				
	2015 RMB('000)	2016 RMB('000)	2017 RMB('000)	2018 RMB('000)	**2019 RMB('000)**
Total assets	159,134	178,899	220,147	262,076	**337,154**
Total liabilities	(34,988)	(48,310)	(70,588)	(89,514)	**(102,228)**
	124,146	130,589	149,559	172,562	**234,926**